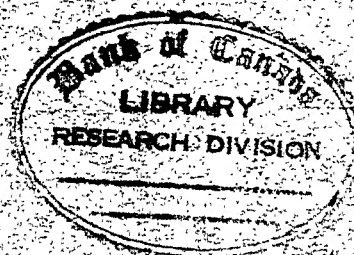


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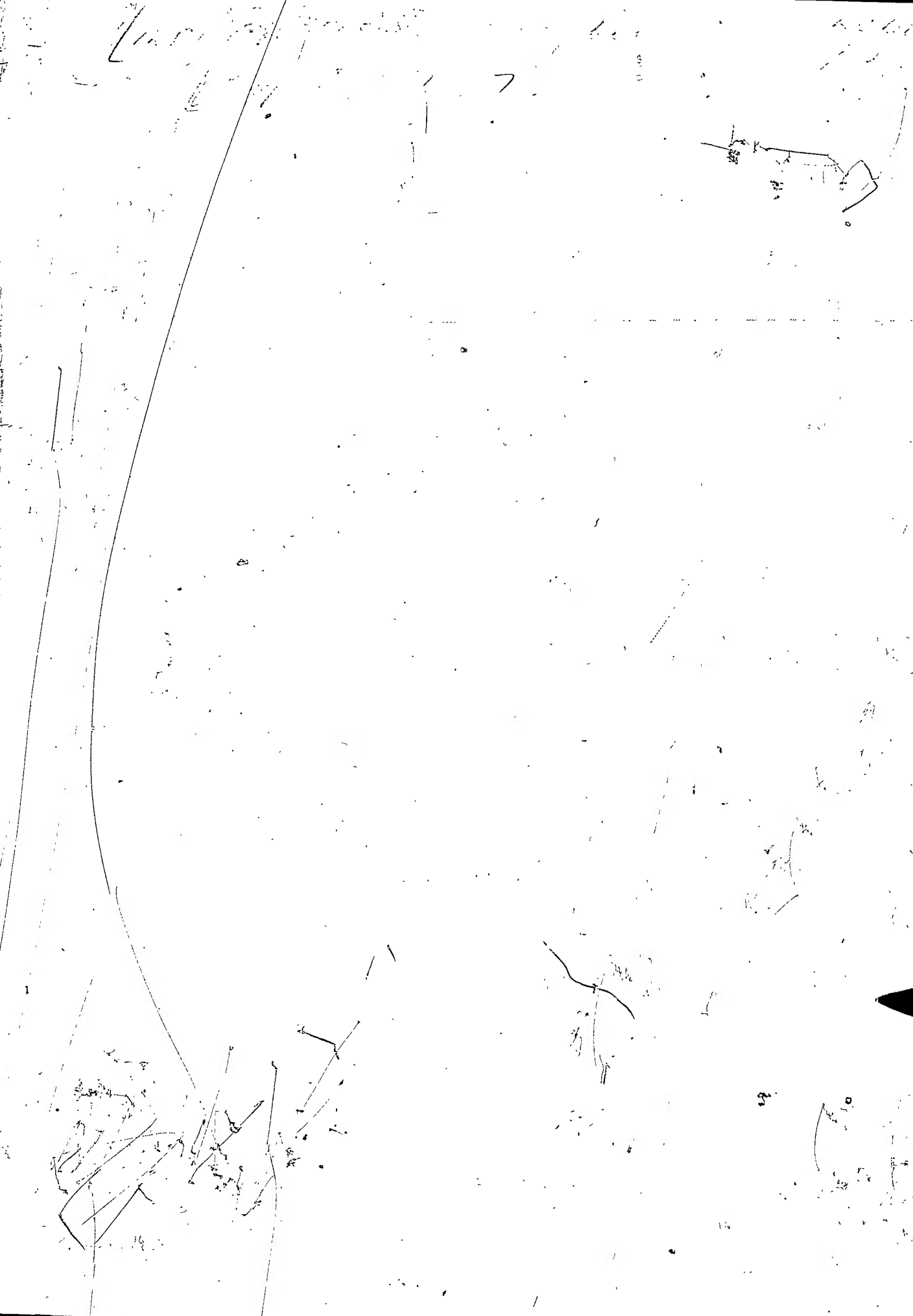


# PROVINCIAL FINANCE IN MANITOBA

BY  
R. McN. PEARSON



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PROVINCE OF MANITOBA  
MAY, 1938





The Honourable John Bracken,  
Premier of Manitoba.

Sir,

I have the honour to submit herewith a report on Provincial Finance in Manitoba, being Project No.6 under the Economic Survey, and seventh in a series of reports covering many phases of the economic and social life of the province.

I have the honour to be,

Sir,

Your obedient servant,

C.B. Davidson,  
Director.

Winnipeg, Manitoba,  
May 15, 1938.



PROVINCIAL FINANCE IN MANITOBA

- by -

R.McN. Pearson

ACKNOWLEDGMENTS

The author wishes to acknowledge the assistance of Mr. F.B.Brisbin and the staff of the Department of the Comptroller-General in preparing financial statements of the province used in this report.

Published by  
Economic Survey Board

C.B.Davidson -

Director

H.C.Grant

- Chief Research Associate



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## PREFACE

The financial position of the Province of Manitoba was fully presented to the Royal Commission on Dominion-Provincial Relations in December 1937. The information so presented is a matter of public record and is to be found in Part VII of Manitoba's Case. In connection with the Economic Survey, it is proposed, therefore, to present a more concise statement of provincial finance dealing especially with provincial income, provincial expenditures and provincial debt over a long period of years, the primary purpose being to show as clearly as possible the broad basic factors which underlie the present financial position of the province.



## PROVINCIAL FINANCE IN MANITOBA

### Introduction

As a preliminary to consideration of the Public Finance of any province, it is necessary to know something of the constitutional responsibilities, and of the constitutional limitations which exist with respect to the provinces of Canada. While the province of Manitoba was created and admitted into Confederation by "The Manitoba Act", 33 Victoria, Chapter 3, it is in "The British North America Act, 1867" that there is found the division of responsibilities and powers as between the Dominion and the provinces. The respective responsibilities, and respective taxing powers are, speaking generally, pretty well covered by sections 91 and 92 of "The British North America Act, 1867". It is perhaps necessary to add, however, that "The Constitution of Canada, like that of any country, has to be interpreted in order that its meaning may be ascertained. The matter of interpretation is a duty assigned to our courts. For Canada the final tribunal in matters of interpretation is the Judicial Committee of the Privy Council. Hence it is important to observe that the meaning of the constitution of Canada is not to be found in the bare language of The British North America Act of 1867 alone, but in the interpretation placed upon it by the Courts chiefly by the Judicial Committee of the Privy Council."

### Dominion-Provincial Relationships

#### (a) Respective duties and powers

As a general statement, then, for the duties and powers of the Dominion, we look to Section 91 of The British North America Act, 1867, wherein it is provided that the Parliament of Canada may make laws for the peace, order and good government of Canada, in relation to all matters not coming within the classes of subjects by this Act assigned exclusively to the Legislatures of the Provinces, and for greater certainty but not so as to restrict the generality of the foregoing terms of the section, it is declared that (notwithstanding anything in the Act) the exclusive legislative authority of the Parliament of Canada extends to all matters coming within the classes of subjects next hereinafter enumerated; that is to say:

There follows a list under 29 headings some of which are:

- The regulation of trade and commerce
- Postal Service
- The Census and statistics



Militia, military, and naval service, and defence.  
 Navigation and shipping  
 Sea Coast and inland fisheries  
 Currency and coinage  
 Banking, incorporation of banks, and the issue of paper currency  
 Savings banks  
 Bills of exchange and promissory notes  
 Interest  
 Legal tender  
 Bankruptcy and insolvency

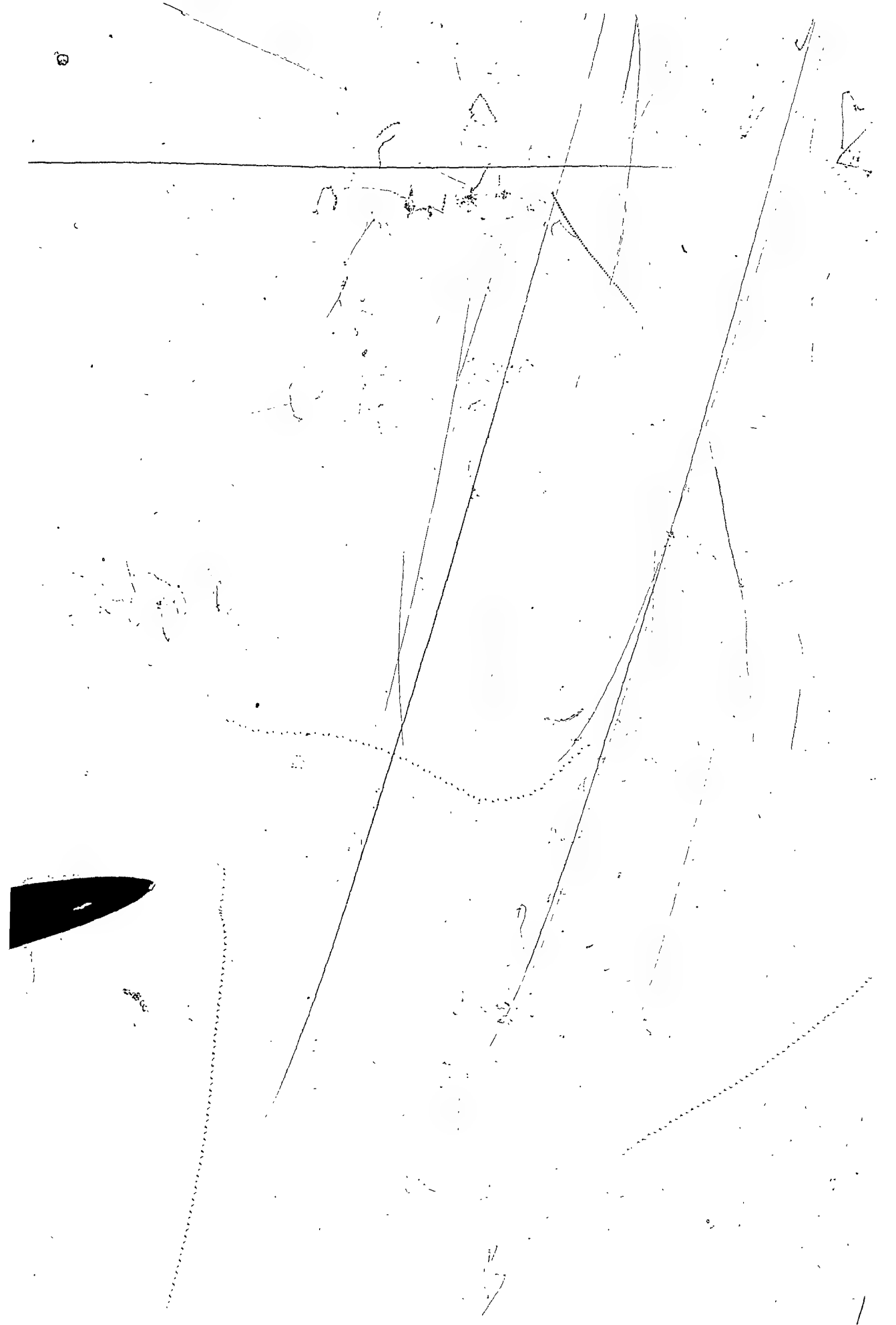
Such classes of subjects as are expressly excepted in the enumeration of the classes of subjects by the Act assigned exclusively to the legislatures of the provinces. And, any matter coming within any of the classes of subjects enumerated in the section shall not be deemed to come within the class of matters of a local or private nature comprised in the enumeration of the classes of subjects by the Act assigned exclusively to the Legislatures of the provinces.

As a further general statement, for the duties and powers of a province, we look to section 92 of The British North America Act, 1867, wherein it is provided that in each province the Legislature may exclusively make laws in relation to matters coming within the classes of subjects next hereinafter enumerated; that is to say:

There follows a list under 16 headings, some of which are:-

The management and sale of the public lands belonging to the province and of the timber and wood thereon.  
 The establishment, maintenance, and management of public and reformatory prisons in and for the province.  
The establishment, maintenance and management of hospitals, asylums, charities, and eleemosynary institutions in and for the province, other than marine hospitals.  
Municipal institutions in the province.  
Property and civil rights in the province.  
The administration of justice in the province, including the constitution, maintenance, and organization of provincial courts, both of civil and criminal jurisdiction, and including procedure in civil matters in those Courts.  
Generally all matters of a merely local or private nature in the province.  
 In addition to the powers given a province by Section 92, the Act makes specific provision for education in section 93 and for agriculture and immigration in section 95, subject to the limitations contained in those Sections.

As between these two sections it is noted that the list of powers of a Provincial legislature enumerated in Section 92 is an exhaustive list, which is to say, a Provincial legislature has only the powers specifically given to it, but that the list of powers of the Parliament of Canada enumerated in Section 91 is not an exhaustive list since the enumeration of 29 classes of Dominion powers was not to be in restriction of the general power to make laws for the peace, order and good government of Canada.



In Part 11 of Manitoba's Case (submissions presented to The Royal Commission on Dominion-Provincial Relations) there is set forth clearly the effect of the interpretations placed upon The British North America Act by the Courts, particularly by the Judicial Committee of the Privy Council.

A quotation from pages 28 and 29 of Part 11 of Manitoba's Case follows:

"Distinction between general powers and specific powers of the Dominion,- The decided cases (to quote from an article on the "Developments of Canadian Federalism" in the 1931 Proceedings of the Canadian Political Science Association) indicate that the Judicial Committee has drawn what would seem to be a totally unjustifiable distinction between the general power of the Parliament of Canada to legislate for the peace, order, and good government of Canada, and its special powers over the specific twenty-nine subjects set out in Section 91. These twenty-nine enumerated subjects were given, in the words of the Act, "for greater certainty but not so as to restrict the generality of the general power". They were simply illustrations of a general principle inserted so as to avoid any doubt as to the national control of certain essentially national matters. Yet under the decisions of the Privy Council they would seem to have become in effect the sole sources of Dominion power. The illustrations have swallowed up the rule, and it has become virtually impossible to justify any Dominion legislation unless it can be brought under one of the twenty-nine specific headings. The Fathers of Confederation planted in Canada a living tree, capable of growth and expansion within its natural limits. They gave us a living and elastic principle fit for every emergency; the Privy Council has made of it a dead and rigid test. According to the decided cases, the Parliament of Canada is permitted to interfere incidentally with provincial powers when legislating upon one of its specifically named special powers, like bills of exchange and promissory notes (head 18), or bankruptcy and insolvency (head 21), or criminal law (head 27), but cannot so interfere when exercising the general power itself.

As a result of this interpretation the residuary power of the Dominion over matters of national importance, so explicitly preserved by the opening words of Section 91 and so emphasized by the Fathers at the time of Confederation, has been cut down to the vanishing point. It still exists, but the Judicial Committee has held it can be utilized only in times of great national emergency, such as a great war, a pestilence, or a plague.

As regards national matters, the Dominion Parliament is restricted, except in cases of emergency, to such specific subjects as occurred to those who framed our constitution in times when Canada and her economic, agricultural, and social development were in their infancy.

It follows that if in normal times a Dominion statute of great and common interest to all the provinces and deemed necessary for the good government of Canada, but not falling within the specific heads of Section 91, should be found to touch upon any provincial power, the courts will declare same ultra vires and of no effect.

As can be seen from the decided cases, one of the important provincial powers is "property and civil rights", which is a very wide term and if interpreted literally would extend to much of the field covered by the other heads of Section 92 and also to much of the field covered by Section 91. It is almost impossible to conceive of any general legislation which would not come within "property and civil rights".





"As a result, the federal legislative powers in Canada are now normally only those specifically enumerated in Section 91, while the provincial powers are equally defined and enumerated in Section 92. The Dominion can only invade provincial powers in the valid exercise of its enumerated powers.

Hence it follows that the real residuum of powers, except in cases of national peril and calamity or domestic convulsions, rests with the provinces, under their exclusive power over property and civil rights in the provinces.

In the United States constitution "The powers not delegated to the United States by the Constitution nor prohibited by it to the States are reserved to the States respectively or to the people". From what was stated by the Fathers of Confederation it is clear they intended in our constitution to avoid the great evil of "states' rights" which had led to the American Civil War. As a result of the above judgments, however, we in Canada appear in this important respect of residuum of powers to have arrived at the very opposite of what was intended by the Fathers of Confederation. We have arrived at the doctrine of states' rights in the interpretation of the constitution of Canada".



## Dominion-Provincial Relations

### Respective Taxing Powers and Revenue Sources

Having thus briefly considered the respective duties and powers of the Dominion and of the provinces it is well to consider the respective available sources of revenue from the receipt of which the duties may be discharged.

### Provincial Subsidies

Before entering Confederation the principal source of revenue to the provinces then existing were their customs and excise duties, which, of course, were indirect taxes.

In the plan of Confederation the provinces gave up to the Dominion these revenue sources and the new Dominion Government took over permanently, as its chief source of revenue, the customs and excise duties that had yielded the greater part of the revenues of the separate provinces, for which it agreed to assume the provincial debts and to provide out of Dominion revenues definite cash subsidies for the support of provincial governments.

These payments, or subsidies, as they are called are made up of four parts, namely:

1. Allowances for Government and Legislature
2. Allowances per head of population
3. Special grants
4. Interest on debt allowances

Under these headings the allowance is arrived at as follows:

#### Allowances for Government and Legislature

<u>Amount Payable</u>	<u>On Population of</u>
\$100,000.00	Under 150,000
150,000.00	150,000 to 200,000
180,000.00	200,000 to 400,000
190,000.00	400,000 to 800,000
220,000.00	800,000 to 1,500,000
240,000.00	Over 1,500,000

#### Allowances per head of population

The allowance is 80 cents per head of population up to a population of 2,500,000 and 60 cents per head of so much of the population as exceeds that number.

#### Special Grants

At various times in the case of all the provinces with the exception of Ontario and Quebec, there have been special grants made.



In the case of Manitoba, Saskatchewan and Alberta, these provinces did not have their Public Lands as a source of revenue until 1930. At that time it was provided that their lands be transferred to them, and also that grants previously made in lieu of them be continued. The basis of these grants is:

<u>Amount Payable</u>	<u>On Population of</u>
\$375,000.00	250,000 to 400,000
562,500.00	400,000 to 800,000
750,000.00	800,000 to 1,200,000
1,125,000.00	Over 1,200,000

#### Interest on Debt Allowance

By the terms of Union of the provinces at Confederation, the Dominion assumed all the debts and liabilities of the provinces existing at that time. Originally the allowance was approximately \$25.00 per head, but there have been adjustments and changes from time to time. When Alberta and Saskatchewan were organized and incorporated in the Union in 1905 they were not in debt, but they were deemed entitled to receive 5 per cent on a debt allowance each of \$8,107,500.00 which, on an estimated population of 250,000, was equivalent to \$32.43 per head. Under the provisions of the Manitoba Boundaries Extension Act - 2 George V Chapter 32 of 1912--the province of Manitoba received in lieu of former debt allowances an amount of \$8,107,500 less advances previously made of \$475,816.15, which reduced the capital sum of \$7,631,683.35. In the case of Manitoba, also, the original sum of \$8,107,500.00 is equivalent to a per capita rate of \$32.43 on an assumed population of 250,000 and places Manitoba on the same monetary basis as Alberta and Saskatchewan.

#### Taxing Powers in addition to Subsidies

In addition to the subsidies to the provinces there were assigned to the provinces certain local revenues, and in addition they were given certain restricted powers of taxation. For the division of these taxing powers as between the Dominion and the provinces we refer again to Sections 91 and 92 of The British North America Act, 1867, where there is found in Section 92.

#### The Provincial field of Taxation

The provinces may impose:

S.S.(2) Direct Taxation within the province in order to the raising of a revenue for provincial purposes.



- (9) Shop, saloon, tavern, auctioneer, and other licenses in order to the raising of a revenue for provincial, local or municipal purposes.

On the other hand, there is found in section 91

The Dominion field of taxation

The Dominion legislative authority extends to "The raising of money by any mode or system of taxation".

As a general statement, therefore, under Confederation, the provinces were to have certain specified powers and duties, and limited tax sources from which to meet them, whereas the Dominion, in addition to the powers and duties enumerated for it, was to have residual powers, and unlimited tax sources from which to meet them.

Provincial functions as envisaged at the time of Confederation

In considering the taxing powers and revenue sources of a province it is necessary to consider the functions of a province proposed to be discharged from such revenues. To understand what functions of provincial government were envisaged at the time of Confederation reference is had to an authoritative statement of that time. The financial negotiations at the Quebec Conference which laid the basis for the financial arrangements of the British North America Act were conducted under the supervision of the Honourable, later Sir. Alexander T. Galt, Minister of Finance for the United Provinces of Upper and Lower Canada. In a speech by him at Sherbrooke on November 23rd, 1864, is found a clear statement of the ideas which lay behind the financial settlement set out in the Quebec Resolution, and particularly as to the basis on which subsidies of the provinces were originally determined.

From the statements in that speech it is evident that Sir. Alexander T. Galt envisaged the functions of a provincial government would require the doing of what is referred to as an "insignificant amount of work" by an inexpensive kind of machinery, supported by Dominion subsidies which would not increase according to growth of population, but would remain at the rate which existed at the census of 1861. (There have, of course, been many changes in subsidy payments since 1867). The Fathers of Confederation had in mind certain specific, well-known expenditures for the provinces -- "public works to be kept in order, the educational institutions to be maintained, the systems of civil law to be administered" and "a variety of other





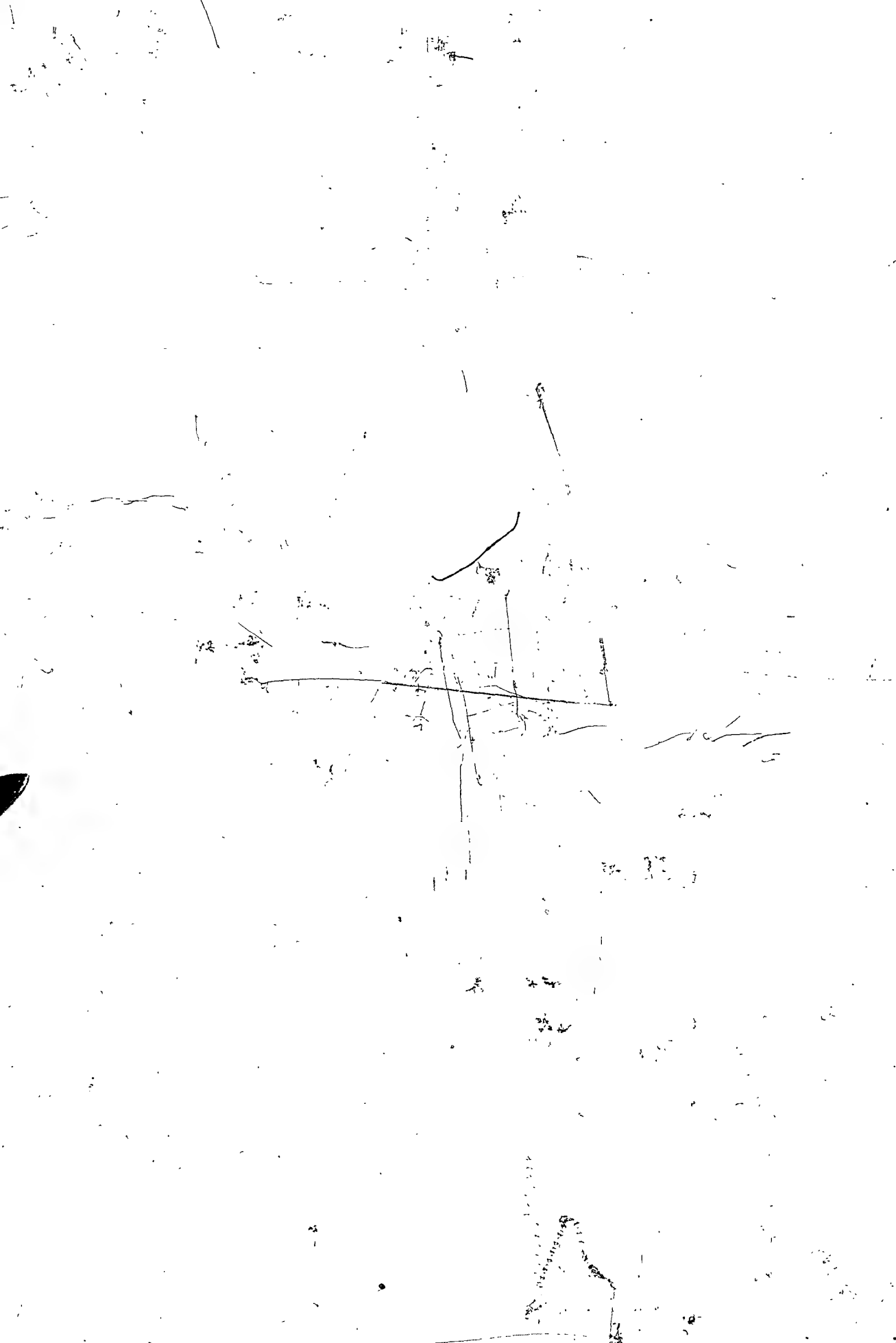
claims to be attended to, which naturally suggest themselves at once to anyone who would reflect upon the subject". The only expenditures which it was at that time expected that the provinces would be called upon to make, were for matters which were then well known and within the cognizance of anyone "who reflected upon the subject". No one at the time of Confederation contemplated that there would be thrown upon the provinces vast expenditures, unforeseen and novel. Consequently no provision was made in the financial plan for the large expenditures which would be needed therefor. While the provinces were given the power of direct taxation, it was not foreseen that they would be "obliged" to resort to that power to the extent that they have now found necessary. The whole set-up for local government was predicated upon the small amount of local administrative work that was to be done by means of simple and inexpensive machinery supported by territorial revenues and a fixed subsidy from the Dominion government. Apparently it was thought that these two sources of revenue would be adequate if the duties with which the local government was charged were discharged with simplicity and economy; and that these two revenues would require to be supplemented by direct taxation only under unusual circumstances.

Plan of Confederation did not foresee development of social services and Relief

The financial plan of Confederation was based upon a social philosophy such as was then current, and it did not recognize as a responsibility of a province the provision of social services as we have them today, such as, for example, unemployment relief; pensions for the aged and the blind; mothers' allowances; and education upon the scale now demanded by the citizens. The Fathers of Confederation either did not intend the provinces to have any responsibilities for these social services, or else failed in the financial plan of Confederation to provide the provinces with adequate revenues to finance them.

The development of Provincial services as a result of changed social philosophy, and of increased demands upon provincial governments.

When Manitoba joined Confederation, and for many years thereafter, the functions of provincial governments were comparatively few. Speaking generally they were limited to providing police protection, education, administration of justice and the limited requirements of public works.



From Confederation down to, say 1911, Manitoba was relatively free of debt and relatively free from direct taxation. In the decade between 1911 and 1921, however, a great change took place, not only in respect of expenditures and in the rate and character of new taxation, but in the creation of public debt for financing of expenditure. In 1921, while there had been substantial increase of expenditures for many purposes, by far the greatest increases were in respect of Public Debt charges, which rose from \$1.22 per capita in 1911 to \$5.13 per capita in 1921; Education, which rose from \$1.39 per capita in 1911 to \$4.03 per capita in 1921; the Public Welfare costs, which rose from .85 cents per capita in 1911 to \$2.41 per capita in 1921.

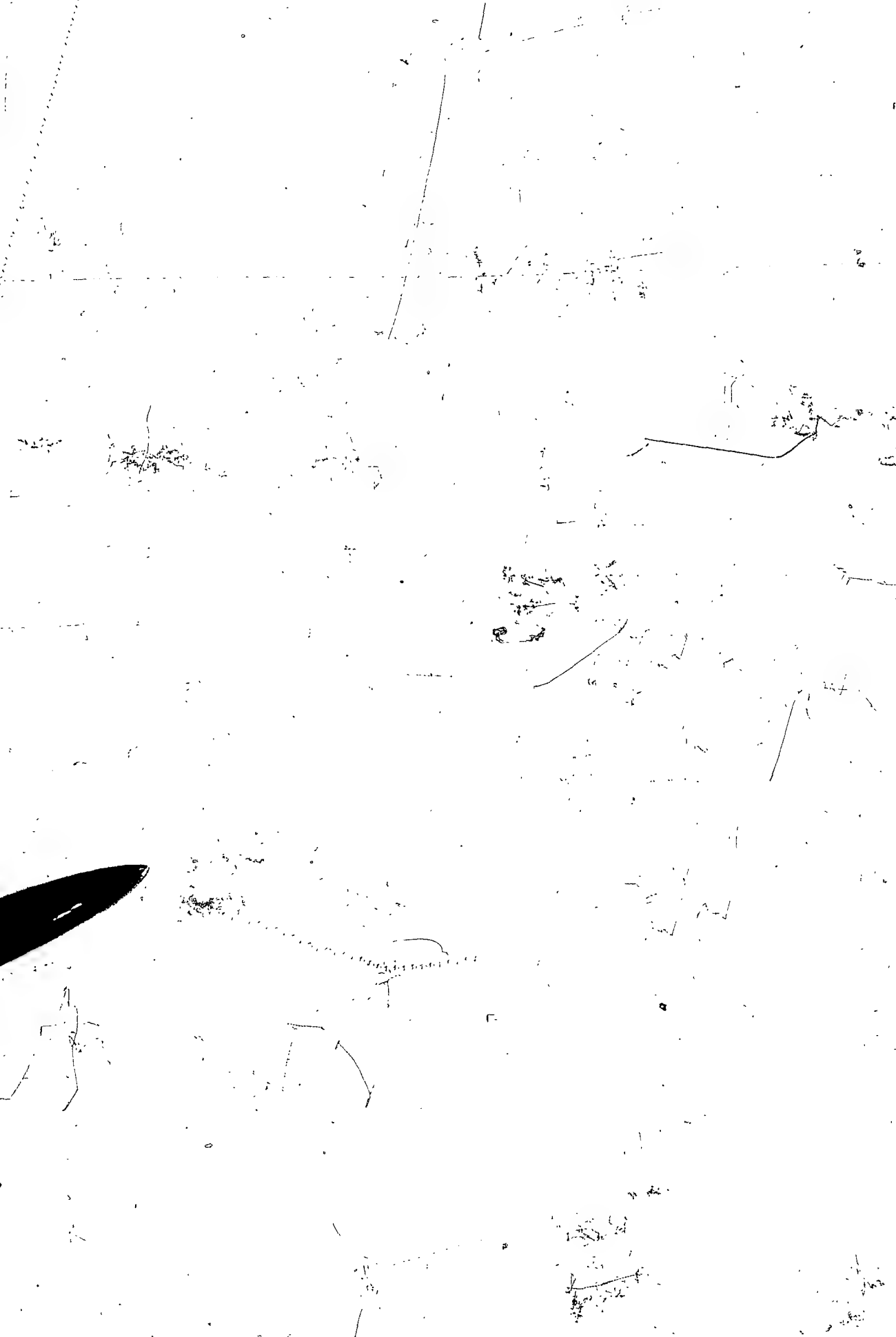
Growth of provincial expenditure as a result of this changed social philosophy, and these increased demands upon the provincial government has continued. Current account expenditures for Public Welfare, in terms of dollars, and in terms of percentage of total current account expenditures has increased from \$77,159.79 or 7.81 per cent in 1901, to \$390,259.58 or 13 per cent in 1911, and to \$1,471,691.99 or 14.15 per cent in 1921, and to \$2,968,276.57 or 20.19 per cent in 1931.

Expenditures on this and almost all other items were rigidly curtailed following 1931. The expenditures in 1936 were \$2,636,447.36 or 18.26 per cent of all current expenditures.

Similarly, provincial current expenditure for Education increased from \$642,971.89 in 1911 to \$2,444,474.34 in 1931, but were restricted to \$1,735,196.86 in 1936.

Public Works (including maintenance of all buildings) increased from \$631,837.18 in 1911 to \$2,150,091.20 in 1931, and were restricted to \$1,373,171.72 in 1936.

The Nature of the increased costs to Manitoba for Public Welfare is shown in some detail in the following statement:



STATEMENT OF EXPENDITURE FOR PUBLIC WELFARE FOR EACH OF THE FISCAL YEARS ENDED - 1911, 1921, 1931, 1936

	For the Fiscal Years Ended During			
	<u>1911</u>	<u>1921</u>	<u>1931</u>	<u>1936</u>
Administration	--	\$ 16,337.81	\$ 44,528.23	\$ 38,754.55
Public Welfare - Maintenance of Aged and Incurable Persons (Institutional)	\$ 33,102.55	102,144.25	153,631.20	152,037.17
Public Welfare - Maintenance of Incapacitated (outside Institutions)	839.73	12,396.96	60,392.29	49,808.98
Child and Family Welfare	--	469,201.82	579,204.80	516,659.40
Mental Disease	236,567.41	553,424.37	675,262.33	544,604.03
Board of Health-Disease Prevention	--	35,000.00	186,651.31	143,736.72
Board of Health-Vital Statistics	4,909.99	528.81	12,912.71	11,316.84
Board of Health-Hospitalization	77,989.90	182,773.89	469,248.90	490,277.09
Grants to Institutions Con- tributing Social Services	36,850.00	52,809.52	48,238.25	28,050.00
Old Age Pensions	--	--	708,780.12	639,662.83
Miscellaneous	--	47,074.56	29,426.43	21,539.75
	<u>\$ 390,259.58</u>	<u>\$ 1,471,691.99</u>	<u>\$ 2,968,276.57</u>	<u>\$ 2,636,447.36</u>

As a consequence of the development of provincial services resulting from the changed social philosophy and of increased demands upon provincial governments, the provincial governments have been forced in ever increasing degree to have recourse to the imposition of direct taxation. The subsidies have come to comprise a constantly decreasing percentage of provincial current revenues (and of total provincial expenditures) whereas the percentage of total provincial revenues from direct taxation has as constantly increased.

In 1875 the subsidies were 88.08 per cent of all current account revenues and there was no direct taxation. In 1901 the subsidies were 47.95 per cent of all current account revenues, non-taxation revenues were 41.04 per cent and revenues from taxation only 11.01 per cent of the total. As late as 1911 the revenues from taxation were but 12.10 per cent of the total.



In 1921 the subsidies had come to represent only 15.01 per cent of current account revenues. In that year other non-taxation revenues were 41.01 per cent of the total and the revenues from taxation had increased to 43.98 per cent of the total current revenues.

In 1936 the subsidies were but 12.27 per cent of the total current revenues, non-taxation revenues were 33.92 per cent and revenues from direct taxation had increased to 53.81 per cent.

It is of interest to note, in passing, that by 1921 the expenditure of Manitoba upon Education was considerably greater than the total of the Dominion subsidy. Such was also the case with respect to expenditure upon Public Welfare, exclusive of relief. In the years since 1921, in the case of expenditures for Public Welfare, this circumstance has become even more pronounced. For example, for the year 1936, provincial expenditure for Public Welfare, exclusive of relief, amounted to \$2,636,447.36, whereas the Dominion subsidy amounted to \$1,786,922.67.





### The Financing of Unemployment Relief

Added to the demands for increased expenditures to meet new and expanding social services, the constitutional division of powers and duties between the Dominion and the provinces, has been interpreted to mean that relief of distress and unemployment should be primarily a municipal responsibility, then a provincial one, to which the Dominion may, if need be shown, make a contribution.

Prior to 1914 relief in Manitoba was a comparatively insignificant and minor matter. Such relief as there was consisted only of local municipal aid to the indigent, which, it seems reasonable to suppose, was the kind contemplated under the plan of Confederation. The provincial government was never required to participate in expenditure for relief until the winter of 1914-15, and the Dominion government was not required to do so until 1920-21.

Briefly the problem of relief as it has affected the provincial government prior to 1930 is as follows:

#### Prior to 1930. Winter 1914-1915

The first participation by the province in relief expenditures occurred during the winter of 1914-1915, when, owing to demoralization of industry due to the outbreak of the war, numerous workers were thrown out of employment, and several hundreds paraded to the Winnipeg City Hall and demanded work or relief. At this time the provincial government agreed with the City Council to pay dollar for dollar to take care of the unemployed. This arrangement existed until the Manitoba Patriotic Fund took over the responsibility of caring for the needy as well as soldier dependents who were unable to carry on. However, the unemployment problem had practically disappeared by early spring 1916, and did not reappear until the winter of 1920-1921.

#### Winter 1920-1921

During the winter of 1920-1921, the problem became acute, most of the unemployed being returned men who were unable to re-establish themselves after their service overseas, and who demanded in no uncertain terms either "work or relief". The Federal government at this time agreed to contribute one-third of the cost of relief and the province of Manitoba agreed to contribute one-third of the cost of relief and one-half of the extra administration costs incurred by the municipalities.

#### Winter 1921-1922

Conditions during the winter 1921-1922 were even worse than those during the previous winter, and again the Federal government contributed one-third of relief costs with the province



of Manitoba contributing one-third of relief costs plus one-half of the excess cost of administration.

Cordwood camps were established and relief works consisted of street and sewer construction.

#### Winter 1922-1923

The situation during the winter 1922-1923 while serious was somewhat modified. In spite of resolutions requesting aid, the Federal government refused assistance during this period. The provincial government of Manitoba assisted on the same basis as during the two previous winters.

#### Winter 1923-1924

The Federal government again refused to participate in relief expenditures. The municipalities and the provinces jointly carried on the work, the province contributing one-quarter of relief costs plus one-half of excess cost of administration.

#### Winter 1924-1925

No assistance was granted by the Federal government during this period, but the province assumed one-quarter of relief costs plus one-third of excess cost of administration.

#### Winter 1925-1926

While relief costs were not so high, the Federal government assumed one-third of relief costs from January 1st, 1926 to March 1926, and the province contributed one-third.

#### Winters 1926-1927 and to Winter 1929-1930

No further contributions were received from the Federal government during these four winters, but the province assumed one-quarter of the relief costs. During the year 1927 the provincial government appointed a Commission to inquire into the causes of Seasonal Unemployment with a view to suggesting remedies to eradicate them.

#### RELIEF COSTS (PROVINCIAL SHARE)

<u>Winter</u>	<u>Cost</u>	<u>Basis Relief</u>	<u>Excess Administration</u>
1914-15	\$ 30,998.00		
1920-21	78,952.28	1/3	1/2
1921-22	151,718.85	1/3	1/2
1922-23	63,542.80	1/3	1/2
1923-24	55,104.39	1/4	1/2
1924-25	58,609.32	1/4	1/3
1925-26	16,567.57	1/3	
1926-27	9,640.41	1/4	
1927-28	11,552.58	1/4	
1928-29	10,962.82	1/4	
1929-30	64,282.69	1/4	



The Federal government contributed only during three of these periods - 1920-1921, 1921-1922, and 1925-1926.

The problem of relief as it is now understood, however, is a very different matter. It is one that has come into being since 1930 and ever since then has been the paramount problem of the three classes of government concerned, namely, municipal, provincial and Dominion.

During the year 1930 the unemployment situation became so acute that additional means were necessary to take care of it. The Federal government called a special session to deal with the unemployment problem, and on September 22nd, 1930, an Act granting Aid for the Relief of Unemployment (21 George V. Chap.1) was passed.

On September 23rd, a conference was held in the Legislative Building of the province of Manitoba to discuss the situation, and on September 24th, the Premier of Manitoba, the Minister of Public Works, and the present Deputy Minister of Public Works left for Ottawa to present to the Federal government a proposed programme of work which could be undertaken.

An agreement was entered into between the Dominion and provincial governments under date of October 1st. (P.C. 2340). Under this agreement the Federal government agreed to allocate to the province of Manitoba, for Relief Works \$900,000.00, of which \$20,000.00 would be spent by the Dominion authorities in Riding Mountain National Park, leaving \$880,000.00, to which amount the province would add a like sum (\$880,000.00).

In this way a sum of \$1,760,000.00 of combined government funds was established for relief works.

Also, under the 1930 agreement, which was operative from October 1st, 1930 to August 31st, 1931, Direct Relief was provided to 14,215 cases (45,070 individuals) at a total cost of \$1,754,639.24 in excess of the cost of relief works, of which amount the province of Manitoba paid \$593,377.36.

No definite registration was taken at this time, but from information received from municipal officials it was estimated that approximately 40,000 persons were unemployed.



Commencing then, with the year 1930, and continuing since that time, municipal and provincial governments, assisted by contributions and aid by way of loans from the Dominion, have continued to grapple with this problem. The total expenditures by these three governments in Manitoba to April 30th, 1937 being \$53,278,775.98. It is estimated that by April 30th, 1938, the total expenditures of the three governments in Manitoba will be about \$62,500,000.00.

A statement showing the costs to the three governments, Dominion, provincial and municipal, from October of 1930 to April 30th, 1937 follows:

The costs by years have been:

	<u>Year Ended</u>	<u>Dominion</u>	<u>Provincial</u>	<u>Municipal</u>	<u>Total</u>
Total	April 30/31	\$ 556,928.60	559,300.81	427,253.61	1,543,483.02
costs	April 30/32	3,183,128.22	3,015,246.37	2,276,573.39	8,474,947.98
to the	April 30/33	2,945,055.93	2,681,346.82	2,177,327.97	7,803,730.72
three	April 30/34	2,433,410.29	2,329,019.64	1,787,152.32	6,549,582.25
govern-	April 30/35	2,030,531.20	2,548,563.87	2,574,983.92	7,154,078.99
ments	April 30/36	3,547,607.95	3,357,027.38	3,000,422.55	9,905,057.88
	April 30/37	4,906,035.45	4,060,067.23	2,881,792.46	11,847,895.14
		\$ 19,602,697.64	18,550,572.12	15,125,506.22	53,278,775.98

THE COSTS FOR THE DOMINION ALONE HAVE BEEN \$ 19,602,697.64

	<u>Year Ended</u>	<u>Relief Works</u>	<u>Single Men</u>	<u>Rural Rehab.</u>	<u>Direct Relief</u>	<u>Total</u>
Costs	April 30/31	\$ 264,697.61	--	--	292,231.59	556,928.60
to the	April 30/32	2,073,628.34	--	--	1,109,499.88	3,183,128.22
Dom-	April 30/33	1,115,728.16	243,157.10	21,474.47	1,564,696.20	2,945,055.93
inion	April 30/34	9,198.78	544,642.11	39,208.95	1,840,360.45	2,433,410.29
	April 30/35	78,955.25	352,912.81	31,788.25	1,566,874.89	2,030,531.20
	April 30/36	1,328,971.24	396,386.88	38,640.34	1,783,609.49	3,547,607.95
	April 30/37	1,964,843.61	535,880.10	41,201.88	2,364,109.86	4,906,035.45
		\$ 6,836,022.39	2,072,979.00	172,313.89	10,521,382.36	19,602,697.64

THE COSTS FOR THE PROVINCE ALONE HAVE BEEN \$ 18,550,572.12

	<u>Year Ended</u>	<u>Relief Works</u>	<u>Single Men</u>	<u>Rural Rehab.</u>	<u>Direct Relief</u>	<u>Total</u>
Costs	April 30/31	\$ 264,697.20	--	--	294,603.61	559,300.81
to the	April 30/32	1,901,999.49	--	--	1,113,246.88	3,015,246.37
pro-	April 30/33	1,065,105.48	39,720.42	24,822.64	1,551,698.28	2,681,346.82
vince	April 30/34	35,240.43	294,872.55	47,163.90	1,951,742.76	2,329,019.64
	April 30/35	156,540.38	251,679.38	45,158.11	2,095,186.00	2,548,563.87
	April 30/36	1,162,475.93	257,290.69	68,784.00	1,868,476.76	3,357,027.38
	April 30/37	1,756,597.73	459,409.05	80,602.84	1,763,457.61	4,060,067.23
		\$ 6,342,656.64	1,302,972.09	266,531.49	10,638,411.90	18,550,572.12





THE COSTS FOR THE MUNICIPALITIES ALONE HAVE BEEN

\$15,125,506.22

	<u>Year Ended</u>	<u>Relief Works</u>	<u>Single Men</u>	<u>Rural Rehab.</u>	<u>Direct Relief</u>	<u>Total</u>
Costs to the municip- alities	April 30/31	\$ 142,843.75	---	---	284,409.86	427,253.61
	April 30/32	1,114,027.71	---	---	1,162,545.68	2,276,573.39
	April 30/33	549,773.90	---	20,309.69	1,607,244.38	2,177,327.97
	April 30/34	641.90	---	37,432.72	1,749,077.70	1,787,152.32
	April 30/35	---	91,754.69	48,655.04	2,434,574.19	2,574,983.92
	April 30/36	571,843.72	92,673.14	35,522.14	2,300,383.55	3,000,422.55
	April 30/37	578,639.47	141,158.68	101,570.30	2,060,424.01	2,881,792.46
		<u>\$ 2,957,770.45</u>	<u>325,586.51</u>	<u>243,489.89</u>	<u>11,598,659.37</u>	<u>15,125,506.22</u>

The expenditures required to meet this new and unforeseen social service "Unemployment Relief" has proved completely beyond the capacity of many of the provinces, including Manitoba and of many of the municipalities. The amounts involved are so staggering in comparison to the ordinary provincial budget that the magnitude of the problem is difficult to comprehend. Manitoba has, therefore, been obliged to borrow to meet not only her own share, but also, to some extent the share of some of her municipalities. As a result, of course, the amounts borrowed have increased the provincial debt, and the charges upon the taxpayer for the interest required annually to meet such added debt

Provincial Debt for Relief Purposes  
including Seed and Fodder Relief.

At April 30th, 1937 the total of provincial borrowings for relief, including borrowings from the Dominion for seed grain and fodder, and for moneys reloaned to municipalities, and including moneys borrowed through ordinary commercial channels had reached the huge total of \$23,736,570.51, of which \$19,257,819.08 was owing the Dominion government.

\* In the classified statement of provincial debt a part of this total, namely \$235,000 is classified under loans re agriculture, for seed grain, a part, namely \$218,513.05 is classified under Public Utilities, Manitoba Power Commission, and a part, namely \$25,000 is classified under Good Roads.



## THE PUBLIC DEBT OF MANITOBA

### The Early Years of the Province

Manitoba became one of the provinces of Canada on the 15th day of July 1870, at which time the total population of the province was about 25,000 persons. It was some fifteen years later, namely, 1885, before the province made a public issue of securities, and thereby incurred what is now referred to as "Public Debt".

The first debenture issues made by Manitoba were made for the purpose of granting aid to railways. These debenture issues were authorized by Chapter 42 of Statutes of Manitoba of 1885, and the railways to be aided were: The Manitoba and North Western Railway Company, the Manitoba and Southwestern Colonization Railway Company and Winnipeg and Hudson's Bay Railway Company. The amount of these issues, respectively, were: £161,800 (\$787,426.67) and £184,900 (\$899,846.66) and £52,600 (\$255,986.66).

In 1887 a short term issue, for one year, was made to meet the excess of expenditures over revenues, the amount of the issue being \$162,450.00. In 1888 the province issued debenture £308,000 (\$1,498,933.33) the issue being described as for "Public Service". A further similar issue of £205,000 (\$997,666.67) was made in 1893. A further issue followed in 1900, and in 1907 the province made public issues of debentures for the purpose of purchasing the Telephone System.

### The Increase in Debt

Rare indeed, in the world of today is the governmental body that has made any effort in the development of its economy, or has provided a reasonable degree of hospital, transportation or utility services for its people without incurring debt. Certainly the governments of Canada and of the provinces of Canada have not done so. For Manitoba, as for each of the other governments in Canada, the public debt has continuously increased with development, expanding services, and, latterly, the financing of the cost of relief.

By 1915 the gross debt of Manitoba (to the nearest \$1,000.00) was \$28,323,000.00. Two



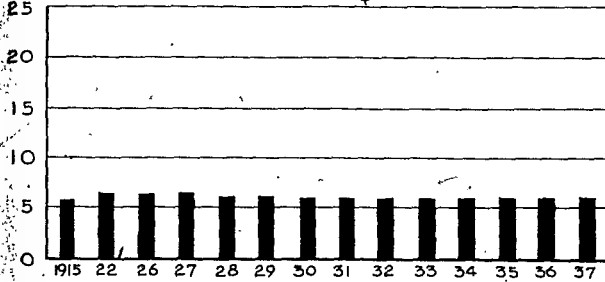
# PROVINCIAL DEBT

MANITOBA

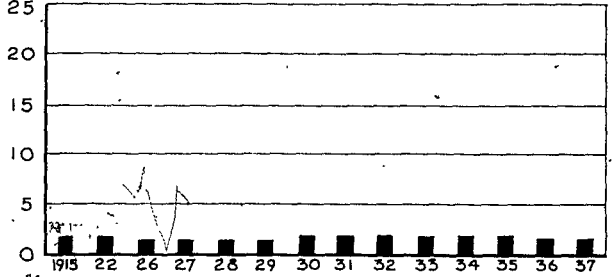
CLASSIFIED ACCORDING TO PURPOSE  
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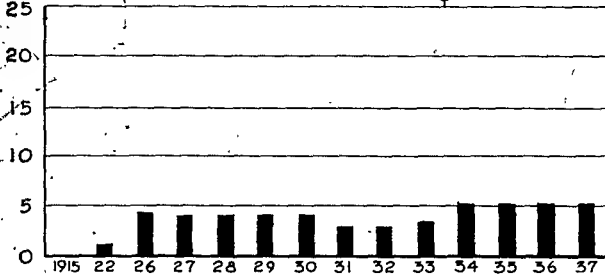
PUBLIC EXPENDITURES & OLD LIABILITY



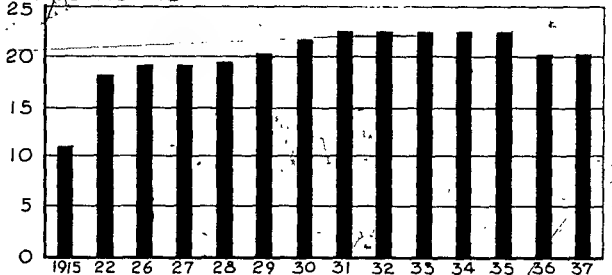
JUDICIAL DISTRICTS



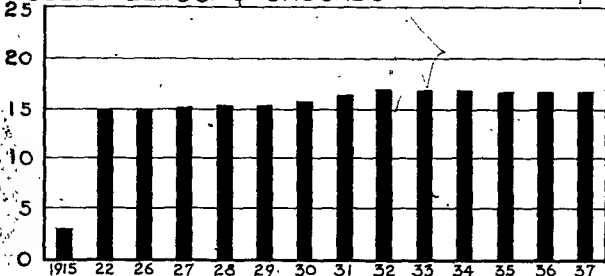
FUNDING CURRENT ACCOUNT & OVERDRAFT



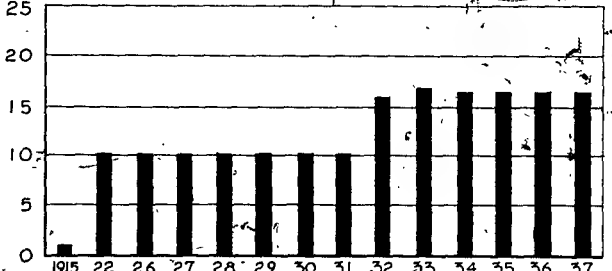
TELEPHONES



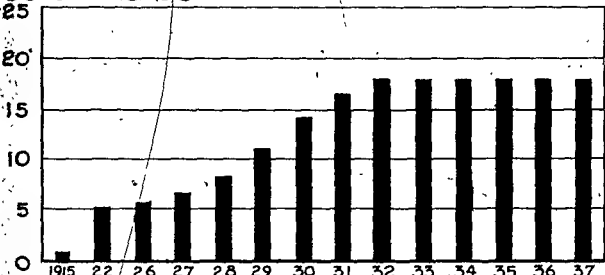
PUBLIC BLDGS. & GROUNDS



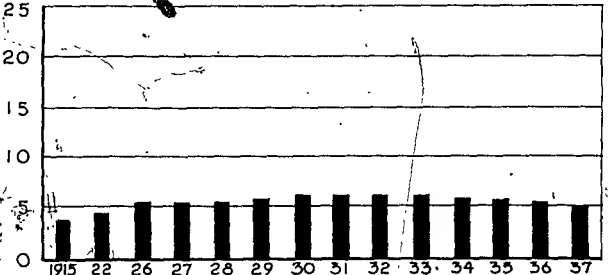
AGRICULTURAL LOANS & ADVANCES



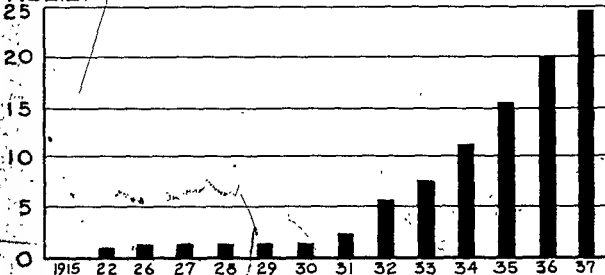
GOOD ROADS



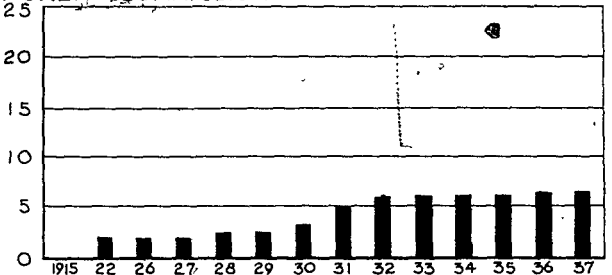
DRAINAGE DISTRICTS



RELIEF



POWER COMMISSION





items alone made up more than half of this amount, namely, the cost of the Telephone System and the cost of Drainage Works. For the former the amount being \$11,052,000 and for the latter \$3,876,000. The remainder of the debt in 1915 had been created for public buildings, for judicial district buildings, for grain elevators and for "public expenditure" and "sundry purposes", the latter classification covering some expenditure upon buildings, but also loans to meet inadequate revenues in some cases. At that date, the total of debt created for good roads amounted to \$973,000.00.

#### The Debt in 1922

As at August 31st, 1922, the gross provincial debt (to the nearest \$1,000.00) had increased to \$69,027,000.00. To some extent this was through additional borrowings for purposes similar to those included in the 1915 debt, but in addition moneys had been borrowed for new purposes, such as, for example, for Mental Institutions, for Educational Institutions, for the Manitoba Power Commission, for Soldiers' Taxation Relief, for Manitoba Farm Loans Association, for Rural Credit Societies, for various agricultural schemes, namely the Settlers' Animal Purchase Act, Conservation of Cattle, Live Stock Promotion, Seed Grain Loans, for a Housing Scheme, and for funding of deficit.

#### Cost of Servicing the Debt

It is true of course that upon the whole of the debt there is interest to be paid. Further, if the debt is to be paid off, funds must be set aside for this purpose, either by way of sinking fund or by some other means for debt retiral. Not in every case, however, does this cost fall upon the taxpayer. In some cases these costs are met by the very purpose for which the debt was created. Such has proved true in the case of The Telephone System. The full cost of interest upon indebtedness created for Telephone purposes is paid by the Telephone System itself.

It was assumed, in 1922, that such would be the case for other services, such as, The Manitoba Power Commission, The Manitoba Farm Loans Association, The Rural Credit Societies, the various Agricultural assistance schemes, and the Housing scheme, and for Soldiers Taxation



GOVERNMENT OF THE PROVINCE OF MANITOBA

CLASSIFIED STATEMENT OF CAPITAL AND CURRENT BONDED DEBT AS AT FISCAL YEAR ENDS INDICATED BELOW. (IN THOUSANDS OF DOLLARS)

	<u>As at</u> <u>Nov. 30th,</u> <u>1915.</u>	<u>As at</u> <u>Aug. 31st,</u> <u>1922.</u>	<u>As at</u> <u>April 30th,</u> <u>1926.</u>	<u>As at</u> <u>April 30th,</u> <u>1927.</u>	<u>As at</u> <u>April 30th,</u> <u>1928.</u>	<u>As at</u> <u>April 30th,</u> <u>1929.</u>	<u>As at</u> <u>April 30th,</u> <u>1930.</u>	<u>As at</u> <u>April 30th,</u> <u>1931.</u>	<u>As at</u> <u>April 30th,</u> <u>1932.</u>	<u>As at</u> <u>April 30th,</u> <u>1933.</u>	<u>As at</u> <u>April 30th,</u> <u>1934.</u>	<u>As at</u> <u>April 30th,</u> <u>1935.</u>	<u>As at</u> <u>April 30th,</u> <u>1936.</u>	<u>As at</u> <u>April 30th,</u> <u>1937.</u>
<b>PUBLIC BUILDINGS AND GROUNDS:</b>														
Public Buildings and Grounds	3,073	9,693	8,788	8,814	9,065	9,105	9,230	9,361	9,502	9,467	9,467	9,466	9,471	9,471
Mental Institutions and hospitals	--	3,245	4,089	4,203	4,268	4,287	4,547	4,620	4,679	4,662	4,644	4,626	4,609	4,591
Educational Buildings	--	1,945	2,020	2,020	2,075	2,081	2,081	2,563	2,993	2,892	2,892	2,872	2,872	2,872
<b>PUBLIC UTILITIES:</b>														
Telephones	11,052	17,298	19,028	19,028	19,528	20,740	21,780	22,580	22,580	22,580	22,575	22,575	20,402	20,402
Power Commission	--	2,165	2,020	2,040	2,445	2,608	3,233	4,968	5,987	6,073	6,134	6,134	6,362	6,532
<b>RELIEF:</b>														
Direct Relief	--	--	--	--	--	--	--	400	1,627	2,626	6,217	10,225	12,833	15,327
Relief Works	--	--	--	--	--	--	--	750	2,734	3,778	3,761	4,115	5,673	7,932
Soldiers' Taxation Relief, etc.	--	1,096	1,374	1,378	1,415	1,390	1,390	1,290	1,290	1,290	1,290	1,290	1,290	1,290
<b>GOOD ROADS</b>	<b>973</b>	<b>5,000</b>	<b>5,740</b>	<b>6,622</b>	<b>8,209</b>	<b>11,211</b>	<b>14,161</b>	<b>16,746</b>	<b>18,096</b>	<b>18,010</b>	<b>18,054</b>	<b>18,079</b>	<b>18,077</b>	<b>18,077</b>
<b>DRAINAGE DISTRICTS</b>	<b>3,876</b>	<b>4,376</b>	<b>5,331</b>	<b>5,374</b>	<b>5,633</b>	<b>5,907</b>	<b>6,150</b>	<b>6,216</b>	<b>6,216</b>	<b>6,115</b>	<b>5,831</b>	<b>5,685</b>	<b>5,435</b>	<b>4,976</b>
<b>JUDICIAL DISTRICTS</b>	<b>1,862</b>	<b>1,962</b>	<b>1,562</b>	<b>1,562</b>	<b>1,562</b>	<b>1,612</b>	<b>2,003</b>	<b>2,020</b>	<b>2,021</b>	<b>2,021</b>	<b>2,021</b>	<b>2,020</b>	<b>1,746</b>	<b>1,746</b>
<b>ADVANCES AND LOANS RE AGRICULTURE:</b>														
Grain Elevators	1,195	1,315	1,160	1,160	1,160	1,160	1,160	1,160	1,130	1,130	1,025	1,025	1,021	1,021
Manitoba Farm Loans Association	--	5,750	6,328	6,422	6,422	6,522	6,522	6,972	9,230	9,830	9,830	9,830	9,830	9,830
Rural Credit Societies	--	2,025	2,225	2,150	2,035	1,955	1,915	1,895	1,878	1,878	1,748	1,735	1,724	1,706
Settlers' Animal Purchase Act	--	383	364	364	364	364	364	283	283	276	199	199	199	199
Conservation of Cattle	--	78	60	60	61	61	61	61	61	57	19	19	19	19
Livestock Purchases and Sales	--	100	100	100	100	100	100	77	79	79	78	78	78	78
Seed Grain	--	471	95	85	--	--	--	--	--	370	300	262	245	235
Co-operative Wheat Producers (2)	--	--	--	--	--	--	--	--	3,375	3,375	3,375	3,375	3,375	3,338
<b>MISCELLANEOUS: (1)</b>														
Public Expenditure and Old Liability	5,943	6,508	6,393	6,402	6,182	6,182	6,182	6,082	6,082	6,082	6,082	6,082	6,082	6,082
Funding Current Account Deficit and overdraft	--	1,225	4,290	4,115	4,130	4,140	4,140	3,090	3,090	3,590	5,070	5,070	5,070	5,070
Housing Scheme	--	3,575	3,076	2,926	2,740	2,690	2,690	2,615	2,615	2,615	2,507	2,235	2,235	2,212
Discount and Exchange	--	--	449	779	1,011	1,213	1,351	1,406	2,006	3,813	4,459	4,517	4,536	4,527
Government Liquor Control Commission	--	--	750	750	600	600	600	500	500	500	500	400	300	--
Sundries	349	817	786	786	786	786	792	497	497	626	626	621	621	621
<b>Total -</b>	<b>28,323</b>	<b>69,027</b>	<b>76,028</b>	<b>77,140</b>	<b>79,791</b>	<b>84,714</b>	<b>90,452</b>	<b>96,152</b>	<b>108,551</b>	<b>113,735</b>	<b>118,704</b>	<b>122,535</b>	<b>124,105</b>	<b>128,154</b>

(1) Mainly Buildings

(2) \$2,100,000 assumed by Manitoba Pool Elevators Ltd., with interest @ 5%.



Relief. Unfortunately, the assumption has not proved to be fully justified, and for each of these purposes a part at least of the cost has fallen upon the ordinary provincial budget.

In the case of expenditure upon Good Roads, with the increase in number of motor vehicles, and the increased consumption of gasoline, the revenue from these sources is such that some students of public finance classify road expenditure as self-sustaining.

#### The Debt in 1937

At April 30th, 1937, the gross debt of the province (to the nearest \$1,000.00) amounted to \$128,154,000.00.

In the statement the debt is classified under a number of headings, and with a degree of detail, some of the larger items in the classification being \$16,934,000.00 for Public Buildings and Grounds, \$20,402,000.00 for the telephones, \$6,532,000.00 for Manitoba Power Commission, \$18,077,000.00 for Good Roads, and no less than \$23,259,000.00 for moneys borrowed by the province for financing the cost of unemployment relief.

#### Debt Increases between 1922 and 1937

Attention is naturally directed to the increase in gross debt, and the purposes which have occasioned the increase. The statement indicates the changes that have taken place over fourteen fiscal periods, according to the classification of purposes that has been used.

Comparing the changes in gross debt between August 31st, 1922, and April 30th, 1937, in accordance with the classification in the statement, it will be observed that increases have been occasioned for the following purposes, and in the following amounts:

Public Buildings and Grounds	\$2,051,000.00
Public Utilities	
(a) Telephones	3,104,000.00
(b) Manitoba Power Commission	4,367,000.00
Good Roads	13,077,000.00
Drainage and Judicial Districts	384,000.00
Advance and loans re Agriculture	6,304,000.00
Miscellaneous	6,387,000.00
Relief (a) Soldiers' Taxation Relief	194,000.00
(b) Unemployment Relief, both direct relief and Works	23,259,000.00



In the case of some of the detailed items which enter into the larger classification there have been changes over the period with respect to which it would seem that explanation is required.

For example, with respect to the debt for Telephones, it will be observed that the debt reached a peak of \$22,580,000 at April 30th, 1931, and thereafter decreased to \$20,402,000.00 at April 30th, 1936. This decrease resulted from operations through The Telephone Replacement Account, as a consequence of which certain provincial securities were cancelled, thus reducing the Telephones debt on the one hand, replacement account on the other, and the provincial debt and asset at the same time.

With respect to the debt for Manitoba Farm Loans Association, the statement indicates an increase in debt from \$5,750,000.00 in 1922 to \$9,830,000.00 in 1937, an increase of \$4,080,000.00. In the case of this item, however, a large part of the increase is occasioned by the province having directly assumed in that period indebtedness of the Association which, at August 31st, 1922, had been issued by the Association itself, and had been guaranteed by the province, the province carrying it as "guaranteed debt". The amount involved is \$1,643,265.00, so that of the total increase in provincial direct debt for the period, the amount representing new borrowings is \$2,436,735.00.

With respect to the debt for Co-operative Wheat Producers, the statement indicates an increase in provincial debt of \$3,338,000.00. Of this amount, however, the larger part, namely, \$2,100,000.00, together with the interest upon that amount, is being paid to the province by Manitoba Pool Elevators Limited, and is therefore to that extent self-sustaining.

With respect to the increase for funding of current account deficit and overdraft, the increase in debt for the period is shown by the statement to be \$3,845,000.00, but of this amount a part, namely, \$1,912,000.00 plus \$46,000.00 as discount was raised to meet the deficit actually existing at August 31st, 1922.

With respect to the increase of debt for "Discount and Exchange" the item is comprised of two parts, namely, for exchange \$1,815,000.00, and for discount \$2,712,000.00. That part which is for exchange was occasioned by the very high premium for American funds prevailing in,



the years 1932, 1933 and 1934, during which period several debenture issues matured and required to be refunded. The premium which was required to be provided upon interest payments was paid from current income, the premium required upon the principal payments, however, was capitalized.

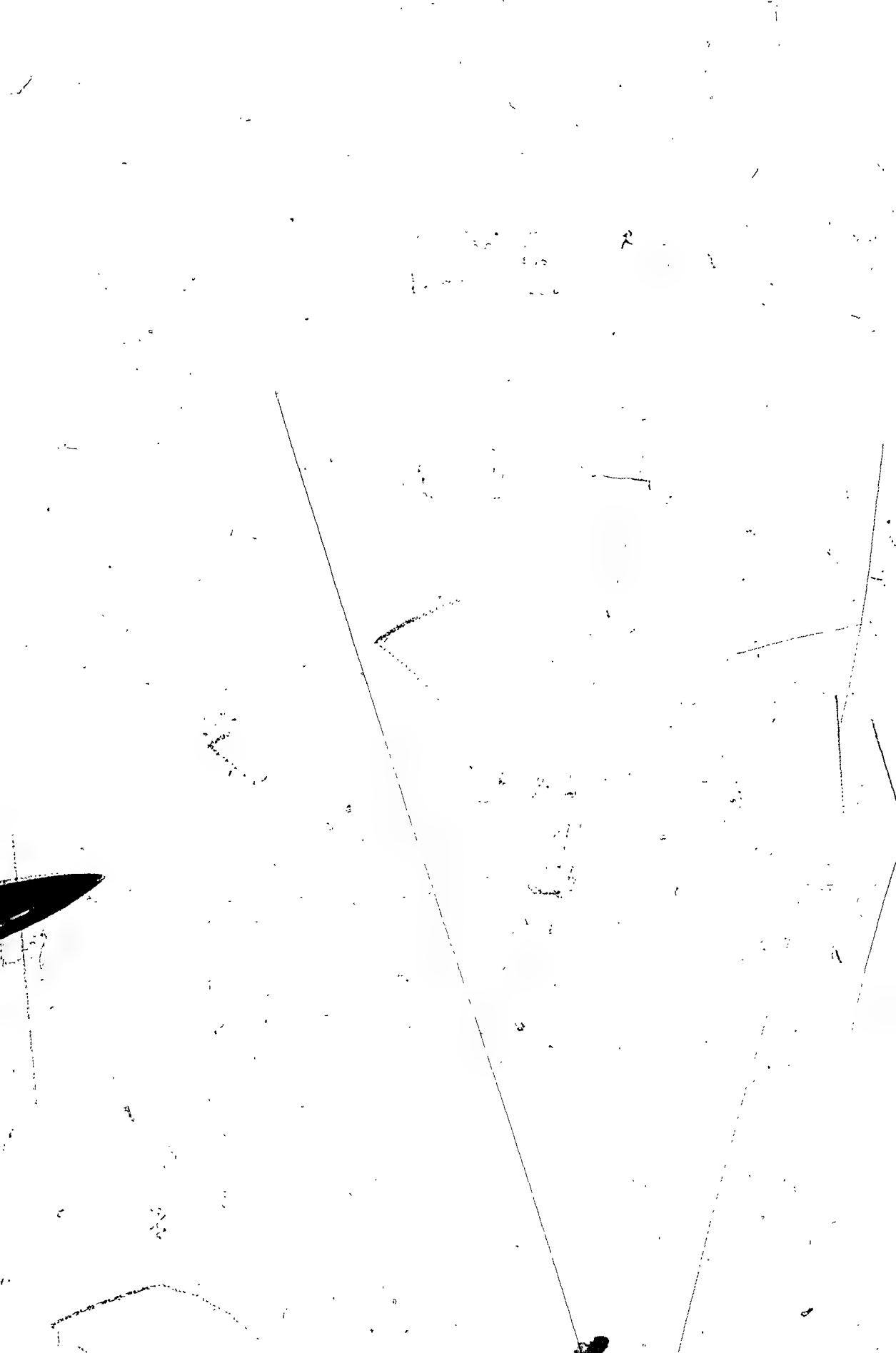
That part which is for "discount" represents the difference between the face value and the price received upon a large number of issues. As stated, the total under this head at April 30th, 1937, was \$2,712,000.00. Provision is made out of each year's income for a proportionate part of the discount, depending upon the number of years the debentures have to run. At April 30th, 1937, there had been paid over from income to this special account, and was held in cash and investments towards meeting this item, the amount of \$873,000.00.

#### Revenue Bearing and Non-Revenue Bearing Debt

Reference has been previously made to the cost of servicing the debt. As stated there is a considerable part of it which pays the whole or a part of the interest charges, and to the extent that such is the case, the cost of the interest is not a direct charge to the budget since there is offset as "revenue" the amount of interest which is received.

An analysis of the total gross debt as at the respective fiscal year ends, April 30th, 1936, and April 30, 1937, is shown in a separate statement, classified as "revenue bearing debt", and "non revenue bearing debt" respectively.

It will be observed that the debt of \$18,077,000.00 for Good Roads is classified as "non revenue bearing" and that whereas some of the items classified as "revenue-bearing" are fully self-sustaining, there are some items included as revenue-bearing which are not fully self-sustaining. These latter items are those for Manitoba Farm Loans, Housing schemes, Rural Credit Societies, and some of the relief loans to municipalities.





GOVERNMENT OF THE PROVINCE OF MANITOBA  
ANALYSIS OF BONDED DEBT (INCLUDING TREASURY BILLS  
AND EXCHEQUER BONDS) OF THE PROVINCE OF MANITOBA.  
AS AT APRIL 30th, 1936 AND 1937.  
(In Thousands of Dollars)

	<u>1936</u>	<u>1937</u>
<b>REVENUE BEARING DEBT:</b>		
Manitoba Government Telephones	20,402	20,402
Manitoba Farm Loans	7,022	7,022
Manitoba Power Commission	5,516	5,700
Drainage Districts	5,434	4,101
Housing Scheme	2,235	2,212
Canadian Co-operative Wheat Producers Ltd.	2,100	2,100
Judicial Districts	1,746	1,746
Miscellaneous	1,056	747
Rural Credit Societies	796	736
Relief (Loans to Municipalities)	4,750	4,478
	<u>51,057</u>	<u>49,244</u>
<b>NON-REVENUE BEARING DEBT:</b>		
Good Roads	18,077	18,077
Administrative Buildings and Grounds	9,355	9,355
Loans and Advances	6,939	6,929
Public Expenditure and Old Liability	6,083	6,083
Hospitals	4,557	4,557
Discount and Exchange	4,536	4,526
Funding Current Deficits and Bank Overdraft	3,620	3,620
Educational Buildings	2,877	2,877
Current Account General Purposes	1,450	1,450
Drainage Districts	-	875
Cattle Schemes	296	296
Miscellaneous	110	110
Building Grants	102	85
Relief	15,046	20,070
	<u>73,048</u>	<u>78,910</u>
Total -	<u>124,105</u>	<u>128,154</u>

Department of Comptroller-General,  
22nd April, 1938.



SINKING FUNDS AND REPLACEMENT FUNDS

Authority is given by Provincial Statute to the Lieutenant-Governor-in-Council, whereunder, at the time of issue of debentures or stock, provision may be made for a sinking fund with respect to such issue. This general authority appears first in 1909 in "The Provincial Loans Act" of that year. Similar authority has been continued in force since that date, and is now found in "The Manitoba Loans Act" ( S.M. 1936 Chapter 25) which is a revision and consolidation of previous legislation.

From 1909 onward the general authority limited and restricted the amount which might be set up as a sinking fund by providing that the amount to be invested out of the Consolidated Revenue Fund in any such sinking fund shall not exceed one-half of one per centum per annum on the amount of the debentures or stock to which it relates.

As a general statement, therefore, in the case of those debenture issues for which a sinking fund has been established, the rate of sinking fund is the rate permitted by the general statute, namely, one-half of one per cent of the principal amount of debentures. In the case of two debenture issues, by virtue of special statutory authority, a larger sinking fund has been set up. These issues are, an issue made in August 1923 for funding the then existing current account deficit, upon which there was set up a full sinking fund, and an issue made April 1st, 1932, upon which the sinking fund is one per cent. With the exception of these two special issues, however, the rate is one-half of one per cent. The restriction and limitation is removed in the 1936 revision, but no public issue of debentures has been made since that date.

The sinking funds fall naturally into two classes, namely, those which are paid out of the ordinary revenues (current income) of the province, and those which are paid otherwise, as is the case with Drainage Districts, Judicial Districts and Manitoba Power Commission.

Prior to 1922 sinking funds were being provided with respect to Drainage Districts and Judicial Districts and were set up with respect to two issues of Provincial Stock, but none

PROVINCE OF MANITOBA

STATEMENT OF SINKING AND REPLACEMENT FUNDS.

AS AT FISCAL YEARS ENDED 30TH NOVEMBER 1915, 31ST AUGUST 1922 AND 30TH APRIL 1926 TO 1937. INCLUSIVE.

	<u>As at</u> <u>Nov. 30th,</u> <u>1915.</u>	<u>As at</u> <u>Aug. 31st,</u> <u>1922.</u>	<u>As at</u> <u>April 30th,</u> <u>1926.</u>	<u>As at</u> <u>April 30th,</u> <u>1927.</u>	<u>As at</u> <u>April 30th,</u> <u>1928.</u>	<u>As at</u> <u>April 30th,</u> <u>1929.</u>	<u>As at</u> <u>April 30th,</u> <u>1930.</u>	<u>As at</u> <u>April 30th,</u> <u>1931.</u>	<u>As at</u> <u>April 30th,</u> <u>1932.</u>	<u>As at</u> <u>April 30th,</u> <u>1933.</u>	<u>As at</u> <u>April 30th,</u> <u>1934.</u>	<u>As at</u> <u>April 30th,</u> <u>1935.</u>	<u>As at</u> <u>April 30th,</u> <u>1936.</u>	<u>As at</u> <u>April 30th,</u> <u>1937.</u>
<b>SINKING FUNDS:</b>														
4% - 1950 Stock Sinking Fund	\$ 258,866.70	789,923.18	1,131,913.32	1,225,420.55	1,323,707.47	1,426,036.35	1,533,326.06	1,646,191.28	1,765,043.59	1,873,226.09	1,999,427.60	2,137,191.18	2,340,920.03	2,495,987.94
4% - 1953 Stock Sinking Fund	26,067.09	120,656.58	185,371.05	203,462.60	222,407.83	242,173.78	263,638.15	285,780.49	308,912.15	323,301.07	348,693.39	374,529.79	403,959.10	434,203.51
Debenture Issues Sinking Fund	-	-	180,472.92	321,560.69	501,616.09	715,682.80	964,082.64	1,249,347.01	1,531,584.53	1,823,006.14	2,002,239.56	2,393,549.24	2,850,687.06	3,339,498.95
Series "4L" and "4M" Sinking Fund	-	-	-	-	-	-	-	-	-	26,497.17	126,646.00	314,642.28	455,284.08	601,819.45
Manitoba Farm Loans Sinking Fund	-	-	-	-	-	-	-	-	61,583.60	64,702.36	67,906.72	70,986.49	74,030.57	77,066.78
Drainage Districts Sinking Funds	384,171.08	1,261,919.40	1,979,249.32	2,196,528.89	2,415,915.18	2,506,628.72	2,520,253.32	2,500,451.89	2,666,035.13	2,717,516.08	2,550,567.83	2,580,871.31	2,427,868.47	2,255,370.10
Judicial Districts Sinking Fund	76,840.53	327,189.43	73,763.66	102,770.12	132,708.48	163,914.85	196,541.32	205,089.99	214,422.86	284,967.37	327,892.74	372,771.47	359,115.80	402,896.25
Manitoba Power Commission Sinking Fund	-	-	-	-	-	-	-	-	7,148.77	218,421.45	258,404.17	348,514.73	439,015.39	515,140.62
	<u>\$ 745,945.40</u>	<u>2,499,688.59</u>	<u>3,550,770.27</u>	<u>4,049,742.85</u>	<u>4,596,355.05</u>	<u>5,054,436.50</u>	<u>5,477,841.49</u>	<u>5,886,860.66</u>	<u>6,554,730.63</u>	<u>7,131,637.73</u>	<u>7,681,778.01</u>	<u>8,593,056.49</u>	<u>9,350,880.50</u>	<u>10,121,983.60</u>
<b>SINKING FUNDS PROVIDED ARE APPLICABLE TO:</b>														
Self Sustaining Debt	\$ 719,878.31	2,379,032.01	3,207,394.30	3,585,244.01	3,994,234.58	4,289,785.70	4,520,235.94	4,702,304.72	5,088,098.53	5,589,515.42	5,842,594.63	6,447,960.32	6,846,232.29	7,227,347.67
Other Debt	26,067.09	120,656.58	343,375.97	464,498.84	602,120.47	764,650.80	957,605.55	1,184,555.89	1,466,632.10	1,542,122.31	1,839,183.38	2,145,096.17	2,504,648.21	2,894,635.93
	<u>\$ 745,945.40</u>	<u>2,499,688.59</u>	<u>3,550,770.27</u>	<u>4,049,742.85</u>	<u>4,596,355.05</u>	<u>5,054,436.50</u>	<u>5,477,841.49</u>	<u>5,886,860.66</u>	<u>6,554,730.63</u>	<u>7,131,637.73</u>	<u>7,681,778.01</u>	<u>8,593,056.49</u>	<u>9,350,880.50</u>	<u>10,121,983.60</u>
<b>REPLACEMENT FUNDS (PROVIDED BY UTILITIES):</b>														
Manitoba Government Telephones	\$ 326,160.82	1,900,792.56	3,757,264.89	4,272,194.11	5,382,416.16	6,600,378.25	7,624,040.88	7,761,911.59	7,168,092.45	7,359,889.47	7,441,074.54	7,823,912.10	6,051,693.05	6,337,329.86
Manitoba Power Commission	-	-	-	-	-	-	-	-	-	-	125,265.80	286,364.56	516,769.80	701,153.67
	<u>\$ 326,160.82</u>	<u>1,900,792.56</u>	<u>3,757,264.89</u>	<u>4,272,194.11</u>	<u>5,382,416.16</u>	<u>6,600,378.25</u>	<u>7,624,040.88</u>	<u>7,761,911.59</u>	<u>7,168,092.45</u>	<u>7,359,889.47</u>	<u>7,566,340.34</u>	<u>8,110,296.66</u>	<u>6,568,462.85</u>	<u>7,038,483.53</u>
<b>TOTAL SINKING AND REPLACEMENT FUNDS</b>	<u>\$1,072,106.22</u>	<u>4,400,481.15</u>	<u>7,308,035.16</u>	<u>8,321,936.96</u>	<u>9,978,771.21</u>	<u>11,654,814.75</u>	<u>13,101,882.37</u>	<u>13,648,772.25</u>	<u>13,722,823.08</u>	<u>14,491,527.20</u>	<u>15,248,118.35</u>	<u>16,703,353.15</u>	<u>15,919,343.35</u>	<u>17,160,467.13</u>



had then been provided with respect to the remaining debenture debt of the province. Commencing with a debenture issue of \$2,500,000.00 made in June 1923, upon which the annual sinking fund is \$12,500.00, the province has provided a sinking fund with respect to every long term issue made since that time. At the present time, in addition to the two issues of stock, sinking funds are provided with respect to twenty eight provincial debenture issues. As a consequence the amount of the annual sinking fund payment charged to the current revenues has increased with the addition of each of these sinking fund payments. The total paid from ordinary revenues (income) in the year ended April 30th, 1937, for sinking funds upon Provincial Stock and debentures was \$378,917.86.

This amount \$378,917.86 is for the Provincial Stock and debentures only and is exclusive of the provision made with respect to Drainage Districts, Judicial Districts and Manitoba Power Commission. As already stated, in those cases the provision was made by the services themselves.

In addition to sinking funds the two government utilities, The Manitoba Telephone System and the Manitoba Power Commission, maintain replacement funds on a basis calculated to be adequate to maintain the investment unimpaired. In the case of the Telephones such provision has been made since its inception, but it is only in the more recent years that actual cash provision for replacement has been made by The Manitoba Power Commission. In the case of the latter utility cash contribution to replacement account was first made in the fiscal year ending in 1934, in which year the amount provided for the purpose was \$125,265.80.

The increase in the amounts held both for sinking funds and for replacement funds, over the years is worthy of note.

In the case of sinking funds for Provincial Stock and debentures, apart from Drainage Districts, Judicial Districts and Manitoba Power Commission, the total sinking funds set up in 1922 was \$910,579.76. In 1931 it was \$3,181,318.78 and at April 30th, 1937 was \$6,948,576.63.

In the case of sinking funds for Drainage Districts, Judicial Districts and Manitoba Power Commission, the total of sinking funds in 1922 was \$1,589,108.83; in 1931 it was \$2,705,541.88, and at April 30th, 1937, was \$3,173,406.97.



Similarly, in the case of Replacement funds. The total of these held for Telephone in 1922 was \$1,900,792.56, and at April 30th, 1937, they were \$6,337,329.86.

For the Manitoba Power Commission, replacement funds have increased from \$125,265.80 at April 30th, 1934, to \$701,153.67 at April 30th, 1937.





## The Current Revenues and Expenditures

Comparative statements of annual current revenues and expenditures are included in the published public accounts of the province issued after the close of each fiscal year classified according to the Department of Government charged with immediate jurisdiction.

In the statements which are incorporated herein, it has been thought best to follow the classifications which were used by the Provincial Treasurer in his presentation to The Royal Commission on Dominion-Provincial financial relations, which is also the classification previously established and used by the Research Department of the Bank of Canada.

In this classification expenditures are grouped under selected "functional" rather than "departmental" headings, the classes being:

### 1. Public Debt Charges

In addition to the interest on the public debt, this item includes provision for the annual sinking fund payments, for the annual charge for amortization of debt discount, for interest on trust and other special funds, and other charges as for payments of guarantees, write-offs, etc.

### 2. General Expenses of Government

These include the expenditures for Legislation, Administration of Justice, Provincial Gaol, Executive Council, Treasury Department, Provincial Secretary, Department of Attorney General, Municipal Commissioner, etc.

### 3. Education

These include the Department of Education, the Deaf and Dumb Institute, Industrial Training School and other miscellaneous items.

### 4. Public Welfare

These include Department of Health and Public Welfare, charities, Mental Institutions, Grants to Hospitals and Hospitalization, Vital Statistics, Blind Children, Board of Health, Mothers' Allowances and Child Welfare and Old Age Pensions.

### 5. Public Works

These include the Department of Public Works, Department of Labour, Roads, Drainage, Insurance Branch, maintenance of all buildings, etc.

### 6. Public Domain

These include Departments of Agriculture and Immigration, Provincial Lands, Mines and Natural Resources, i.e., mines, forests, game and fisheries, Lands Branch, etc.

includes \$377,000 contributions to SF  
 642,300. cost. off of current assets  
 and maintenance of the  
 having nothing to do with it.

GOVERNMENT OF THE PROVINCE OF MANITOBA

Classified Statement of Current Account Expenditures Showing Relative Percentages and Per Capita Cost for Each of the Fiscal Years Ended During 1875, 1881, 1891, 1901, 1911, 1921, 1931, 1936 and 1937

	1875		1881		1891		1901		1911		1921		1931		1936		1937	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
EXPENDITURE																		
Public Debt Charges	--	--	--	--	\$ 80,802.05	12.16	\$ 245,187.21	24.81	\$ 569,515.56	18.66	\$ 3,132,158.22	30.11	\$ 4,900,470.32	33.32	\$ 6,821,253.13	47.24	\$ 7,101,498.74	47.55
General Expenses of government	59,288.07	68.64	\$ 99,673.55	43.08	172,751.63	26.00	214,604.27	21.72	620,942.66	20.68	1,513,304.23	14.55	1,494,646.70	10.16	1,185,745.41	8.21	1,334,803.74	8.94
Education	7,000.00	8.10	23,892.67	10.33	129,541.96	19.50	169,190.94	17.12	642,971.89	21.41	2,454,241.59	23.60	2,444,474.34	16.62	1,735,196.86	12.02	1,730,319.36	11.59
Public Welfare	1,500.00	1.74	6,454.41	2.79	34,289.98	5.16	77,159.79	7.81	390,259.58	13.00	1,471,691.99	14.15	2,968,276.57	20.19	2,636,447.36	18.26	2,763,307.10	18.50
Public Works (including main-tenance of all bldgs)	13,335.61	15.44	97,829.80	42.29	171,094.41	25.75	129,287.32	13.08	631,837.18	21.04	1,451,308.07	13.95	2,150,091.20	14.62	1,373,171.72	9.51	1,291,771.37	8.65
Public Domain	5,254.00	6.08	3,497.41	1.51	75,952.25	11.43	152,821.10	15.46	156,299.41	5.21	379,191.39	3.64	747,571.47	5.09	687,058.96	4.76	713,093.62	4.77
Total	\$86,377.68	100.00	\$231,347.84	100.00	\$ 664,432.28	100.00	\$988,250.63	100.00	\$3,002,826.28	100.00	\$10,401,895.49	100.00	\$14,705,530.60	100.00	\$14,438,873.44	100.00	\$14,934,793.83	100.00
Population of Manitoba	41,000 (Estimated)		62,260		152,506		255,511		461,594		610,118		700,139		711,056		711,216	
PER CAPITA COST:																		
Public Debt Charges	--		--		\$ .53		\$ .96		\$ 1.22		\$ 5.13		\$ 7.00		\$ 9.60		\$ 9.99	
General Expenses of government	\$1.44		\$ 1.60		1.13		.84		1.34		2.48		2.13		1.66		1.88	
Education	.17		.38		.85		.67		1.39		4.03		3.50		2.44		2.43	
Public Welfare	.04		.11		.23		.30		.85		2.41		4.24		3.71		3.82	
Public Works	.33		1.57		1.12		.50		1.37		2.38		3.07		1.93		1.82	
Public Domain	.13		.05		.50		.60		.34		.62		1.06		.96		1.00	
Total	\$2.11		\$3.71		\$ 4.36		\$3.87		\$6.51		\$17.05		\$ 21.00		\$20.30		\$ 21.01	

Classified Statement of Current Account Revenues Showing Relative Percentages for Each of the Fiscal Years Ended During 1875, 1881, 1891, 1901, 1911, 1921, 1931, 1936 and 1937

DOMINION OF CANADA:																		
Subsidy	\$65,412.58	88.08	\$99,178.78	56.54	\$435,595.74	73.77	\$483,687.06	47.95	\$838,247.06	24.27	\$1,470,991.42	15.01	\$1,559,755.76	10.61	\$1,786,922.67	12.27	\$1,703,022.58	11.19
TAXATION DUTIES:																		
Succession Duties	--	--	--	--	--		\$ 3,398.49		\$165,860.02		\$ 299,105.38		\$ 452,023.09		\$ 375,044.60		\$ 463,963.32	
Corporation Taxes	--	--	--	--	\$ 2,708.13		38,161.28		97,237.85		1,111,352.16		672,551.61		1,000,503.14		1,221,048.26	
Railway Taxes	--	--	--	--	--		25,559.65		140,486.37		--		510,255.74		704,829.83		605,410.80	
Income Tax on Persons	--	--	--	--	--		--		--		--		871,728.37		815,322.06		912,118.16	
Special Tax on Wages and Other Income	--	--	--	--	--		--		--		--		--		1,756,139.63		1,825,388.59	
Gasoline Tax	--	--	--	--	--		--		--		--		1,176,911.19		1,854,906.24		2,015,129.53	
Auto Licenses	--	--	--	--	--		--		14,500.00		538,678.46		1,092,385.51		824,124.68		1,128,937.96	
Amusement Tax	--	--	--	--	--		--		--		339,249.00		351,629.68		160,960.80		159,233.30	
Old-Age Pension Levy	--	--	--	--	--		--		--		--		345,000.00		273,873.30		344,210.90	
All Other Levies	--	--	--	--	--		43,900.98		--		2,022,516.10		500,788.61		69,653.72		23,901.78	
Total Taxation Revenues	--	--	--	--	\$ 2,708.13	.46	111,020.40	11.01	418,084.24	12.10	4,310,901.10	43.98	5,973,273.80	40.62	7,835,358.00	53.81	8,699,342.58	57.18
NON-TAXATION REVENUES:																		
Government Liquor Control Com-mission	--	--	--	--	--		--		--		--		\$ 1,866,783.49		\$ 1,204,686.49		\$ 1,230,000.00	
Telephones: Interest	--	--	--	--	--		--		318,309.51		778,784.50		1,028,587.87		992,225.26		940,205.70	
Interest from School Lands Fund	--	--	--	--	--		22,915.33		183,547.29		286,346.02		273,970.51		296,760.38		267,272.16	
Other Interest	--	--	--	--	44,544.84		157,298.92		658,353.83		1,390,790.79		1,826,186.84		962,668.11		944,645.66	
Mines and Natural Resources	--	--	--	--	--		--		--		--		267,480.76		611,773.08		602,370.54	
Fines and Other Fees, etc.	\$ 8,039.14		\$ 16,155.77		95,911.78		159,490.48		619,463.64		835,028.21		664,791.66		567,717.32		542,877.78	
Miscellaneous	815.60		60,082.81		11,723.71		74,241.16		418,184.50		728,018.57		1,244,699.91		302,461.90		\$285,438.52	
Total Non-Taxation Revenues	\$8,854.74	11.92	\$ 76,238.58	43.46	\$152,180.33	25.77	\$ 413,945.89	41.04	2,197,858.77	63.63	\$ 4,018,968.09	41.01	\$ 7,172,501.04	48.77	\$4,938,292.54	33.92	\$ 4,812,810.36	31.63
GRAND TOTAL	\$74,267.32	100.00	\$175,417.36	100.00	\$ 590,484.20	100.00	1,008,653.35	100.00	3,454,190.07	100.00	\$ 9,800,860.61	100.00	\$14,705,530.60	100.00	\$14,560,573.21	100.00	\$15,215,175.52	100.00



In the case of revenues the broad classifications are:

1. Receipts from the Dominion
2. Receipts from taxation
3. Receipts from sources other than taxation

In this part of the statement the details of the revenue sources are shown on the statement itself.

#### The Current Expenditures

For the period covered by the statement the province has not found it possible to finance the cost of unemployment and relief from its ordinary revenues. As a consequence, moneys for that purpose have been borrowed and added to the provincial debt, and the result, as reflected in the statement, is that there has been a very considerable increase in public debt charges each year for interest upon the borrowed money, but otherwise the expenditures shown in the statement do not include expenditure for this item.

The cost of relief, if met as an ordinary expenditure would naturally be included under the cost of Public Welfare. If it had been so included over the six years ending April 30, 1937, the provincial share of relief would have added an average of \$3,000,000.00 per year to the item for Public Welfare.

Despite the fact that no part of the cost of relief is included as cost of Public Welfare, the increase in cost under that classification has been most marked. In the decade from 1911 to 1921, for example, the cost increased from \$390,000.00 to \$1,472,000.00, and in the following decade, namely, from 1921 to 1931, it doubled again, increasing from \$1,472,000.00 to \$2,968,000.00.

A large increase in expenditure shows under the classification "Public Debt Charges". In the detail of the make up for that classification, however, there is a considerable amount of the item which is for sinking funds debt retiral, and other special charges. For the years 1931-1936 and 1937 for example, the breakdown as between interest on the Public Debt and the other charges referred to is:

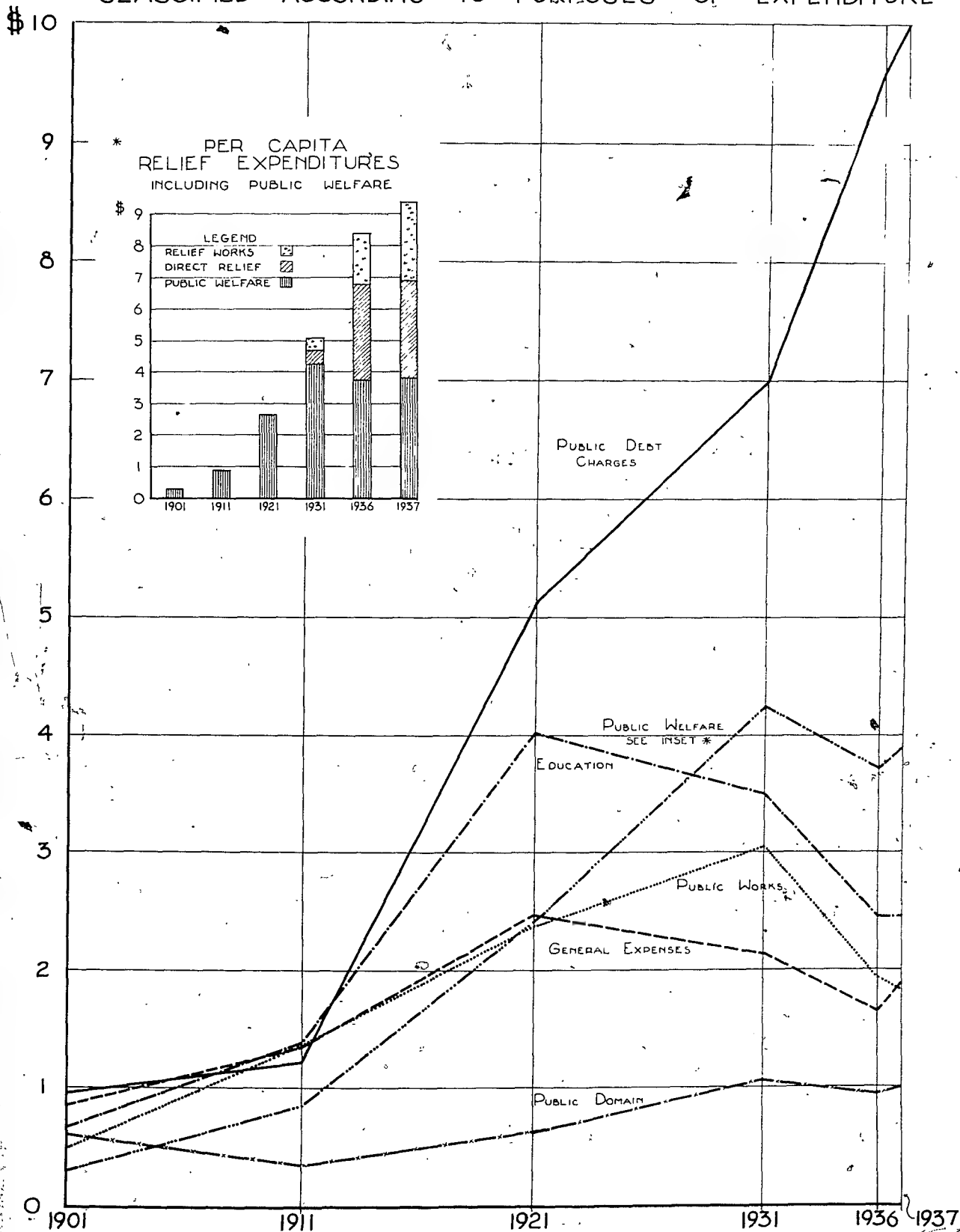
	<u>1931</u>	<u>1936</u>	<u>1937</u>
Interest on the public debt, including premium on external funds, plus bank charges	\$4,407,654.12	6,021,281.11	5,780,895.35
Interest on trust and other special funds, sinking fund payments, amortization of debt discount, write offs and other special charges	492,816.20	799,972.02	1,320,603.39
	<u>\$4,900,470.32</u>	<u>6,821,253.13</u>	<u>7,101,498.74</u>



# PER CAPITA PROVINCIAL EXPENDITURES

MANITOBA

CLASSIFIED ACCORDING TO PURPOSES OF EXPENDITURE







It will be observed from the statement that between the years 1931 and 1936, there was very rigid curtailment of expenditure for each of the classifications other than "Public Debt Charges". In that period the increase in the expenditures classified as "Public Debt Charges" was \$1,920,782.81, while for the same period for the remaining five classifications there was a reduction in expenditure of \$2,187,439.97. The net reduction in all expenditures being \$266,657.16.

With respect to the curtailment of expenditures in these years it is apropos to quote from the report of the Governor of the Bank of Canada dated February 11, 1937 upon an examination then made by The Bank of Canada into the financial position of the province. In his report at pages 22 and 23 he says, -

2. "We believe that during most of the period under review, and specifically during the last five years, the Government of the Province of Manitoba has made strong and commendable efforts to keep its budget balanced, and avoid unnecessary increases in debt, by imposing taxation on a scale at least as high as that of any other province in Canada, and by restricting expenditures as far as it was possible to go without curtailing services to an extent which would not have been in the public interest". \*

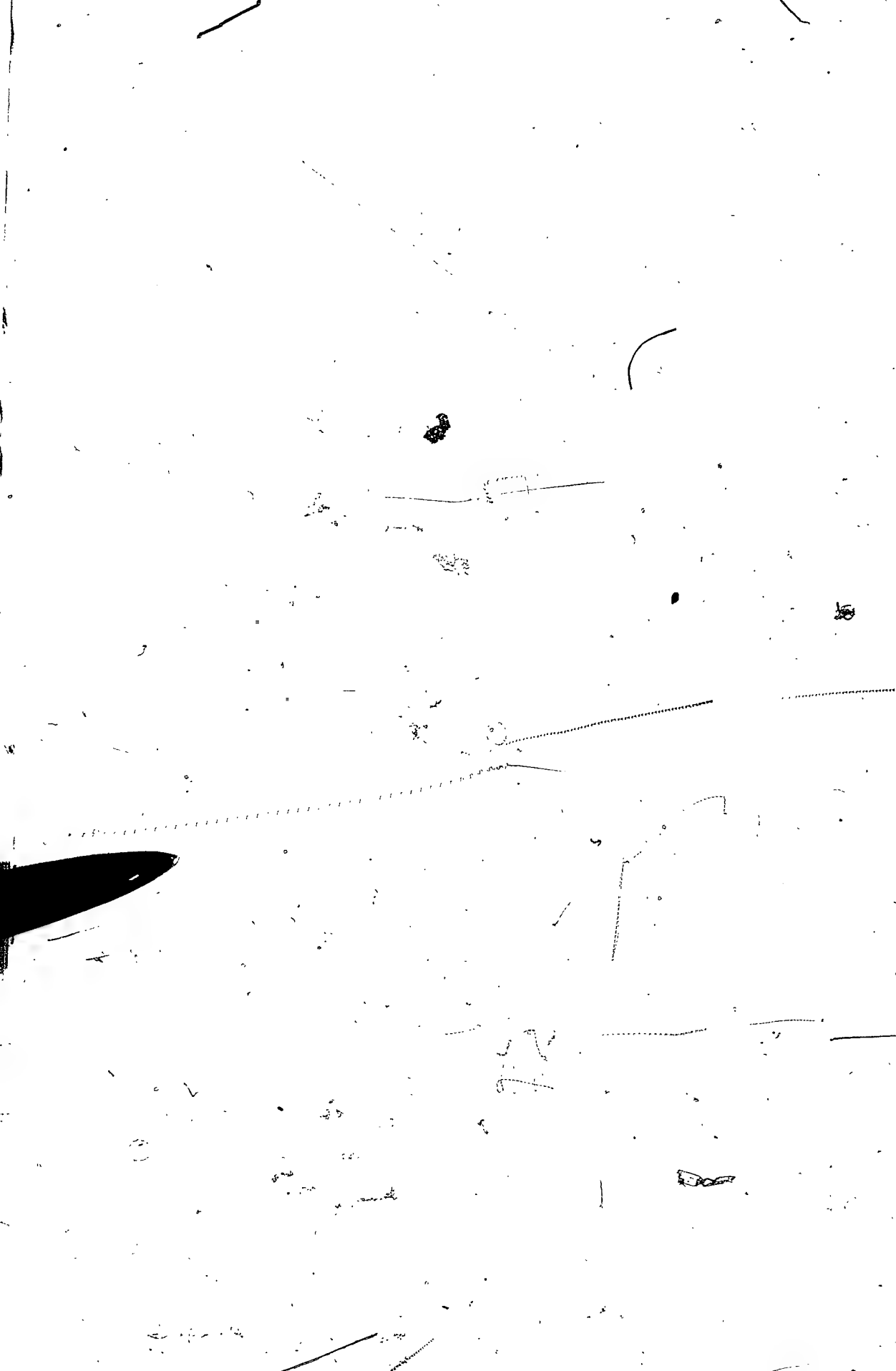
\* The opinion expressed above should be supplemented by the statement that details of departmental expenditures were not examined. A detailed survey, which would necessarily be of a lengthy character, might conceivably disclose the possibility of further economies in some directions. It is likely, however, that such an examination would also bring to light cases where expenditures are below a desirable minimum. We believe that on balance further economies are not feasible.

5. "We understand it to be the view of the government that additional funds must be obtained for the preservation of the road system, for education and for mental institutions. While we do not feel qualified to estimate how large an amount is needed for additional expenditures of a character which cannot be postponed, we agree that some additional expenditures are inevitable, and we are not prepared to say that it is practical to increase revenues by further taxation.

#### The Current Revenues

As has been said, the development of provincial services resulting from the changed social philosophy and from ever increasing demands upon the provincial governments for new and expensive services has forced the provincial governments to impose direct taxation, and, as the demands increased, to increase the amount of direct taxation it has been necessary to impose.

It is a far cry from the services now performed by the provincial government in



# PROVINCIAL REVENUES

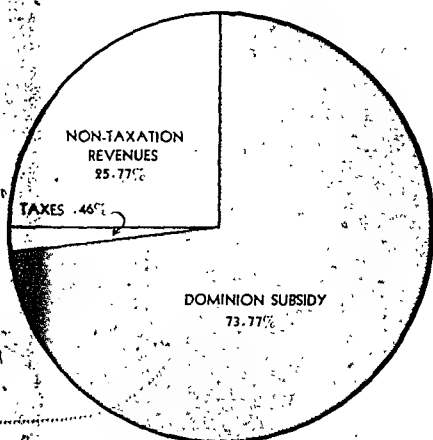
PERCENTAGE OF CURRENT REVENUES OBTAINED FROM

(A) DOMINION SUBSIDY

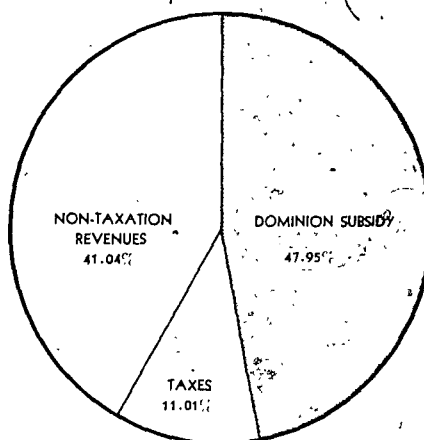
(B) TAXATION SOURCES

(C) NON-TAXATION SOURCES

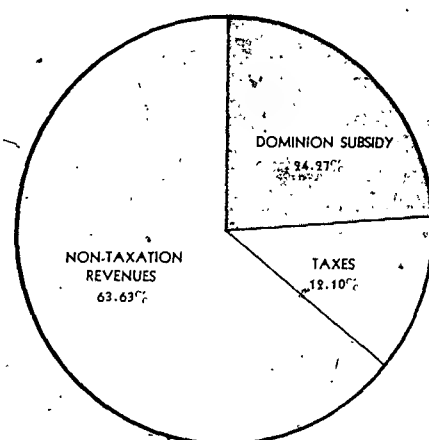
MANITOBA 1891, 1901, 1911, 1921, 1931, 1937



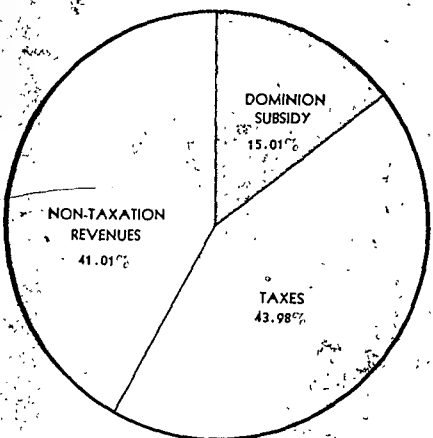
1891



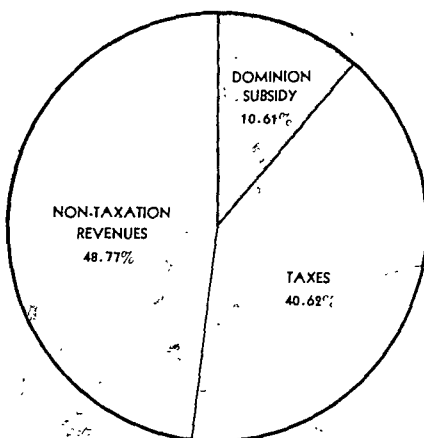
1901



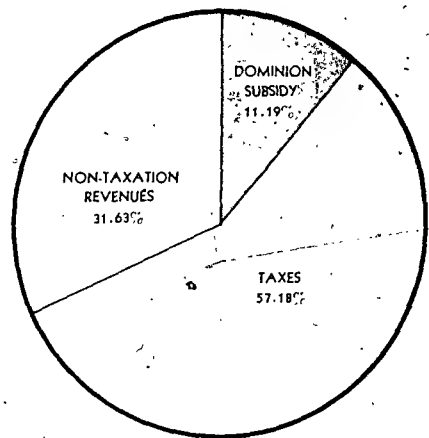
1911



1921



1931



1937



Manitoba to expenditures foreseen for a provincial government at the time of Confederation, namely, the "public works to be kept in order, the educational institutions to be maintained, the system of civil law to be administered" and "a variety of other claims to be attended to which naturally suggest themselves at once to anyone who would reflect upon the subject". Indeed, as will be seen from the expenditure statement, the expenditure in 1931 on Public Welfare alone is almost equal to the total budget for all purposes in 1911 including public debt charges.

A feature of the revenues over the years, most striking perhaps, is the comparative rigidity of the Dominion subsidy. Whereas in 1875 it represented 88.08 per cent of all provincial revenues and at the turn of the century, 1901, represented approximately 48 per cent of all provincial revenues; in 1937 it represents but 11.19 per cent of those revenues.

In the year 1911 Manitoba was still relatively free from direct taxation. In that year the subsidy represented 24.27 per cent of provincial revenues, non taxation revenues (largely interest receipts, fines, law fees, Land Titles fees, etc.,) represented 63.63 per cent of the total revenues, and direct taxation only 12.10 per cent of such revenues.

In the decade between 1911 and 1921 great changes occurred. In that period provincial expenditures increased from \$3,002,826.28 to \$10,401,895.49, and similarly, in that period revenues from direct taxation increased from \$418,084.24 to \$4,310,901.10. In 1921 the largest single source of taxation was a levy on real property, the proceeds of which, in that year were \$2,022,516.10.

In the years since 1921, the provincial government has reduced its tax levies upon real property, of necessity substituting other forms of taxation. It will be observed from the statement that whereas Current Account Revenues from this source were over \$2,000,000.00 in 1921, they were reduced to \$368,112.66 in 1937.

Over the depression years, namely, from 1931 to 1937, there has been a pronounced decline under the non-taxation revenues, a decline from over \$7,000,000.00 to less than \$5,000,000.00 occasioned largely by the decline in profits from the Government Liquor Control Commission, and the decline in interest receipts from subsidiary enterprises and from



defaulted municipalities.

In the year 1937 the percentage of provincial revenues received under the three respective classifications were:

From Dominion Subsidy	11.19 per cent
From non-taxation revenues	31.63 " "
From Direct Taxation	57.18 " "

The respective revenue sources are shown in sufficient detail that their trend is readily apparent by reference to the statement itself.